

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Grand Blanc	County Genesee
Audit Date May 31, 2004	Opinion Date July 16, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

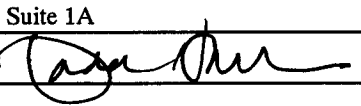
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Tadd A. Harburn, CPA	

Comprehensive Annual Financial Report

City of Grand Blanc, Michigan

May 31, 2004

**Comprehensive Annual Financial Report
City of Grand Blanc, Michigan
May 31, 2004**

Mayor

Michael N. Matheny

City Council

D. Keith Baldwin
James E. Bappert
John A. Freel
Connie S. Lesley
Susan J. Soderstrom
William P. Turk

Administrative Officials

Randall D. Byrne - City Manager
Richard Saathoff - City Clerk
Bethany J. Smith - City Treasurer
Ted Sczetpanski - Building Inspector
James B. Harmes - Fire Chief
Mark D. Heidel - Police Chief
Matthew S. Wurtz - Public Works Director

Independent Auditors

BKR Dupuis & Ryden

Report Prepared By

City Clerk/Finance Department

**City of Grand Blanc, Michigan
Comprehensive Annual Financial Report
Year Ended May 31, 2004**

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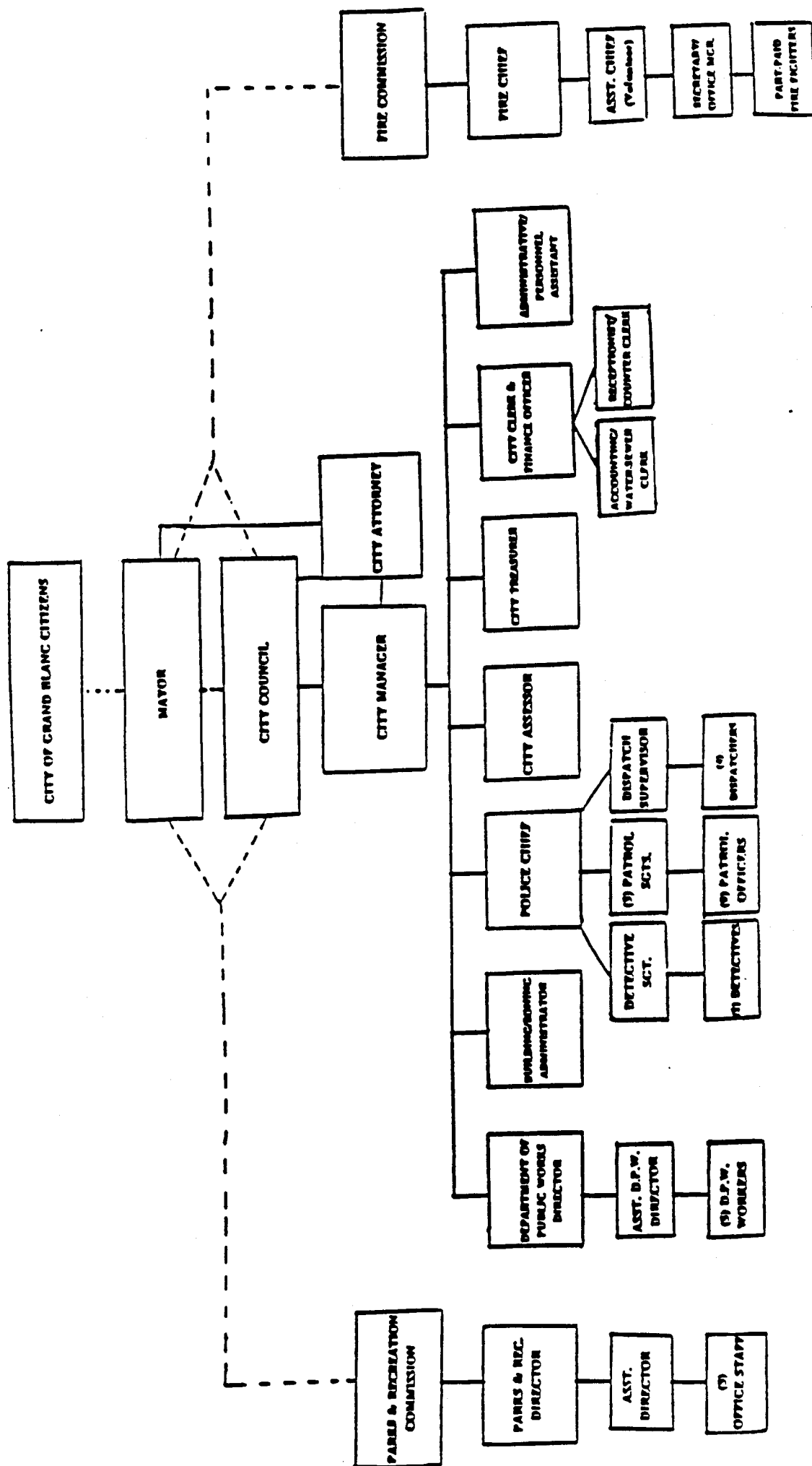
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City of Grand Blanc



P. O. Box 846 • 203 East Grand Blanc Road • Grand Blanc, MI 48439-0846 • (810) 694-1118 • Fax (810) 694-9517

MAYOR

Michael N. Matheny

CITY COUNCIL

D. Keith Baldwin
James E. Bappert
John A. Freel
Connie S. Lesley
Susan J. Soderstrom
William P. Turk

July 16, 2004

CITY MANAGER

Randall D. Byrne

To the Citizens of the City of Grand Blanc:

CITY CLERK

Richard Saathoff

CITY TREASURER

Bethany J. Smith

CITY ASSESSOR

Marie Collias

CITY ATTORNEY

Walter P. Griffin

The comprehensive annual financial report of the City of Grand Blanc for the fiscal year ending May 31, 2004, is hereby submitted. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects, which is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

The composition of this report is divided into three sections as described in the City Manager's letter. Each section provides certain information that can be easily identified. The statistical section includes various tables that reflect social and economic data, financial trends, and fiscal capacity of the City.

All funds, entities, authorities, and account groups that are controlled by or dependent on the City's executive or legislative branches are contained in the financial statements. The inclusion makes the statements in accordance with the standards related to the reporting entity promulgated by the Government Account Standards Board.

The City of Grand Blanc provides various municipal services to its citizens. Among these are police protection, garbage collection, water and sewer operations, street construction and maintenance, planning and zoning and general administrative services. The City also participates in joint ventures such as: Grand Blanc Fire Commission, Grand Blanc Parks and Recreation Commission/Senior Citizen Activity Center and the Grand Blanc District Library, with the Charter Township of Grand Blanc.

The City Council is comprised of the Mayor and six members of Council. The council members are elected on a staggered four (4) year term on an at large basis. The mayor is elected every two (2) years. The City Manager is appointed by, and serves at, the pleasure of the Council.

ECONOMIC CONDITION AND OUTLOOK

MAJOR INITIATIVES

The City of Grand Blanc has continued the street resurfacing and/or reconstruction program that was started many years ago. The recently completed projects include S. Saginaw Street and the re-alignment and reconstruction of Genesee Road. The Genesee Road project included the complete tear out of the existing roadway; raising the roadway to allow for the installation of large drainage tubes to, hopefully, alleviate the flooding of the road surface. Genesee Road also was straightened. The project also included the installation of a bike trail along the side of the road. The Genesee County Road Commission has installed a traffic signal at the intersection of Genesee/Perry Roads and Perry and Belsay Roads. These two (2) traffic signals have greatly increased the safety of our residents and improved the traffic flow. The City has recently completed the re-alignment, reconstruction and widening of Holly Road, a major artery leading to I-75. This project has increased the safety of our residents by reducing the number of vehicles using an adjacent neighborhood as a short-cut. These projects were made possible by Transportation Grants.

The voters of the City of Grand Blanc have once again approved a water improvement project, by a three to one margin. This project will soften the water. As an added bonus the majority of the arsenic will also be removed, surpassing the new drinking water standards. The project will cost \$4.4 Million Dollars (\$4,400,000.00) and construction began in April 2003 and will be completed within one (1) year. The City is financing this project through the Michigan Drinking Water Revolving Fund (DWRP) program at an interest rate of 2.5%. The City is constructing two (2) treatment facilities at existing well sites. The process selected is a "nano-filtration" system. This is a filtering process that forces water through a membrane with very small holes. This membrane allows the water to pass through while the contaminants and suspended materials are captured. This system is very similar to Reverse Osmosis that is used by many other communities and industries. This project is nearing completion and has received great reviews from our residents. Most of the residents have been able to turn-off their water softeners, reducing their cost and the need to haul salt into their homes. The City's softened water is helping to improve the health of our residents by removing the salt from the water supply system.

The City recently completed phase II of the Rust Park Memorial Park renovation project. Rust Park is an approximately twenty-two (22) acre park located on the north side of the City. The land was donated to the City of Grand Blanc in the 1940's for use as a park. When the park was first put into service, it was widely used for many functions. The park had fallen into disrepair due to: (1) budget constraints; and (2) the lack a formal plan for the park. The City met with the adjoining neighbors, talked with students of a nearby elementary school and began to formalize renovation plans. Phase II consisted of adding paved parking, the planting of many trees, paved biking/hiking trails, and the renovation of tennis/basketball courts. The most used and favorite improvement would be the large barrier-free play scape structure. Parents can now bring their children from miles around to play in the brightly colored, molded plastic, fenced play scape. The crew of the Department of Public Works constructed a small

pavilion complete with tables and a nearby grill, and adjacent to the Play scape. The pavilion is available for reservation a nominal charge and it is booked solid for every weekend and many other times from late spring through early Fall. The construction of bathroom facilities has greatly increased the use of the park. The City is extremely pleased to see the increased use of this park. Later phases call for more parking, additional hiking/biking trails, more benches, and the possibility of an additional ice skating rink.

Physicians Park was acquired by a partial donation from the family of a long time Grand Blanc resident. The park is named for this resident. He was one of the first doctors in the area, thence the name Physicians Park. The park is bordered by the railroad tracks and is located behind some of the businesses on the main downtown street. There have been many meetings with the neighboring property owners, residents, business owners, and community leaders to discuss the development of this park. This summer, the Parks and Recreation Department has scheduled four (4) concerts in the park. These concerts are free of charge and opened to the entire Grand Blanc Community. This park has provided a wonderful green space in the downtown area, increasing the quality of life for our residents. Recently, a local Eagle Scout Candidate constructed a raised viewing platform to enable the park patrons to watch the train traffic in the adjacent railroad yard. Phase I has included paved parking, a paved walking trail, the installation of our decorative street lighting, benches and another brightly colored play scape. The ice skating rink has been relocated and will be lighted for night skating.

The City of Grand Blanc has worked closely with the Federal Emergency Management Agency (FEMA) to alleviate flooding in several areas of the City. The City had received several grants totaling several million dollars to correct flooding conditions. One of the projects included the purchase and removal of five (5) homes adjacent to Thread River. These residents had experienced flooding for many, many years. There have been two (2) important benefits from this project: we were able to help our residents by assisting them to move from a potential dangerous situation; and the City was able to expand an existing park. There are three (3) other projects either under construction or planned to install larger storm sewers, thus preventing raw sewage from backing-up into residential basements. These projects will take next couple of years to complete.

Some of the accomplishments which we can point to with pride are: 1) our eleventh annual Tree City U.S.A. award; 2) the fourteenth annual Excellence in Financial Reporting award; all of which we feel are indicative of the teamwork between Council and Staff. Receipt of these awards has made all elected and appointed officials, as well as city employees, aware of the recognition by others of our commitment to Total Quality Management in local government. The tangible recognition of those prestigious awards by outside organizations is communicated to the public through our quarterly newsletter, local newspapers and by having the plaques or documents on display in our council chambers.

FINANCIAL INFORMATION

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining

accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived; (2) the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, (Community Development Block Grant Funds), the government also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic review and evaluation by management and our independent auditing firm.

After thorough preparation and evaluation, the City Council adopts an annual budget for the General Fund and Special Revenue Funds, also known as the General Government Functions. The budget is legally enacted on a departmental (activity) basis. Through the use of an on-line computer system, monthly budget reports are provided to department heads. It is their responsibility to see that expenditures are within the budgetary guidelines. Monthly budget reports are also provided to the Finance Committee (a committee consisting of three (3) members of Council) for their review.

General government revenues increased 0.81% from the previous year. A summary of these revenues and a comparison to previous year's totals are listed in the following table:

Revenues:	<u>Amount</u>	<u>Percent of Total</u>	Increase (Decrease) from <u>2003</u>	Percent of Increase (Decrease)
Taxes	\$ 2,757,268	44.30%	\$ (163,744)	-324.53%
Licenses & Permits	137,537	2.21%	38,236	75.78%
Intergovernmental:				
Federal	1,256,079	20.18%	435,081	862.30%
State	1,255,716	20.17%	(8,174)	-16.20%
Local	225,000	3.61%	(292,653)	-580.02%
Charges for				
Services	419,811	6.74%	804	1.59%
Fines & Forfeits	30,464	0.49%	(3,512)	-6.96%
Interest	31,701	0.51%	(34,501)	-68.38%
Miscellaneous	<u>110,869</u>	1.78%	<u>78,919</u>	156.42%
Total	<u>\$ 6,224,445</u>	100.00%	<u>\$ 50,456</u>	100.00%

The decrease in tax revenue is attributed to limited new construction and the removal of City purchase real property.

The increase in Licenses and permits is due to the re-calculation of cable TV franchise fees by our provider.

The changes in Intergovernmental revenue are largely due to the start time and finishing time of the major street and local street improvement projects that received federal and state matching dollars and the completion of those projects that have been ongoing for the last couple of years. The City has received over \$600,000 from the Grand Blanc Parks and Recreation Commission from their voter approved millage for improvements to Physicians Park and Rust Park. The City received less State Shared Revenue (the second largest revenue source after property taxes) due to the financial circumstances of the State of Michigan. Administration is keeping a close watch on this revenue source.

"Proposal A," as approved by the electorate of the State of Michigan, guarantees funding for the operation of the public school systems throughout the State. There have been many questions raised regarding this funding and funding that local units of government receive from the State. The answer, as to whether there will be a cut in funding to local governments, remains unknown at this time and will in all likelihood remain unknown for the next few years.

Cash temporarily idle during the year was invested in demand deposits and in time deposits ranging from seven (7) to ninety-one (91) days to maturity. The average yield in maturing investments during the year was 1.05%, for all City accounts. At years end, a portion of the City's deposits are uninsured and uncollateralized. At the present time, Council's investment policy is to invest in only local institutions. The Council is aware that a substantial amount of funds are at risk, but prefers to keep the funds in the local community. As a result of declining interest rates, the City of Grand Blanc received less interest earnings.

General Governmental expenditures decreased 13.85% from the previous year. A summary of these expenditures and a comparison to the previous year's totals are listed in the following table:

Expenditures:	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2003</u>	<u>Percent of Increase (Decrease)</u>
General Government	\$ 1,488,323	24.77%	\$ 253,725	-26.26%
Public Safety	1,998,328	33.25%	3,829	-0.40%
Public Service	818,905	13.63%	4,909	-0.51%
Public Works	222,474	3.70%	18,328	-1.90%
Highways/Streets	1,142,591	19.01%	(853,519)	88.34%
Debt Service:				
Principal	244,243	4.06%	(364,090)	37.69%
Interest	<u>94,645</u>	1.57%	<u>(29,324)</u>	3.04%
Total	<u>\$ 6,009,509</u>	100%	<u>\$ (966,142)</u>	100%

The increase in General Government and Capital Outlay is largely due to the City's purchase of property adjacent to city owned property to be used for future expansion.

The modest increase in Public Safety is due, in part, to the training of previously hired officers, contract obligations and the purchase of new patrol vehicles.

The modest increase in Public Works is due to the purchase of additional equipment used in the maintenance and repair of the streets within the City Limits in prior year.

The decrease in Highway/Streets is largely due to the completion of the many major and local street projects (including those funded by federal grants).

The changes in Debt Service are due to the structure of the various bond issues. Typically, as a bond nears the maturity date the principal cost increases and the interest costs decrease. The City was able to retire three (3) years of the Water Iron Removal Bonds early, in the prior year.

The General Fund balance is \$2,302,991, an increase of \$330,374 from the previous year. The undesignated fund balance totals \$1,538,728 and the designated fund totals \$764,263.

The General Fund has a fund balance designated in the following manner:

General Fund:

Working Capital, in an amount approximately one-fourth of the anticipated tax revenue for year ending May 31, 2005	\$ 644,263
City employee retirement benefit cost	<u>120,000</u>
Total Designated	<u>\$ 764,263</u>

The City of Grand Blanc provides a pension plan for full time employees. The pension program for the general employees is a defined contribution program, whereas the City contributes a flat percentage of the employee's gross wage to the pension program. The City of Grand Blanc has made every payment to the pension program since the beginning of the program. According to the collective bargaining agreement with the Grand Blanc Police Patrol Unit, their pension program which now is a define benefit program, has been transferred to the Michigan Municipal Employees Retirement System (MERS). The contribution to MERS will vary from year to year based on the wages, years of service, age of the patrol unit and the investment earnings by MERS.

The City's Enterprise Funds include Sewer and Water, which shows a combined income of \$155,118, which is an improvement from the combined net income of \$111,507 from the prior year. The improvement is due, in part, to the levy of taxes for improvements to the water system and an increase in usage fees.

The ratio of the net general bonded in debt to state equalized and the amount of bonded debt per capita are good indicators of the City's debt position for management, citizens, and investors.

	Amount in <u>000's</u>	Ratio of Debt to State Equalize <u>Value</u>	Net Debt per <u>Capita</u>
Net Direct bonded debt	\$1,957,000	0.69%	\$237

The City is insured by the Michigan Municipal League's Michigan Municipal Liability and Property Pool, and the Michigan Municipal League's Worker Compensation Fund.

OTHER INFORMATION

An annual audit, as required by the City Charter, of the accounts, financial records, and transactions has been completed by the independent certified public accountants selected by the City Council. A copy of the auditor's opinion is included in this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Blanc for its financial report of the fiscal years ending May 31, 1990 through 2003. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual report with contents conforming to program standards as promulgated by GFOA and the Governmental Accounting Standards Board. The Certificate of Achievement is valid for a period of one (1) year. We believe our current report continues to conform to program standards as promulgated by GFOA and the Governmental Accounting Standards Board.

I wish to acknowledge the efforts of department heads and the office staff that make it possible to prepare this comprehensive annual financial report. The commitment of the City Council to fiscal integrity and to financial leadership is also appreciated. The accounting firm of BKR Dupuis & Ryden also made substantial contributions in the preparation of this document.

Respectfully submitted,



Richard Saathoff, MMC
City Clerk/Finance Director
City of Grand Blanc



City of Grand Blanc



P. O. Box 846 • 203 East Grand Blanc Road • Grand Blanc, MI 48439-0846 • (810) 694-1118 • Fax (810) 694-9517

July 16, 2004

MAYOR

Michael N. Matheny

CITY COUNCIL

D. Keith Baldwin
James E. Bappert
John A. Freel
Connie S. Lesley
Susan J. Soderstrom
William P. Turk

CITY MANAGER

Randall D. Byrne

CITY CLERK

Richard Saathoff

CITY TREASURER

Bethany J. Smith

CITY ASSESSOR

Marie Collias

CITY ATTORNEY

Walter P. Griffin

Honorable Mayor Matheny and the Grand Blanc City Council:

In accordance with State statute and local charter provisions, I am submitting the comprehensive annual financial report of the City of Grand Blanc for the fiscal year ending May 31, 2004. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the Council to gain the maximum understanding of the City's financial status have been included.

In developing and monitoring the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are discussed by the City Clerk/Finance Director in his accompanying letter of transmittal, and within that basis, I believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

This report has been formulated following the guidelines recommended by the Government Finance Officers Association of the United States and Canada. The Government Finance Officers Association awards Certificates of Achievement to those governments whose financial reports are judged to conform substantially with the high standards of public financial reporting, including generally accepted accounting principles.

In accordance with the above noted guidelines this accompanying report consists of three parts:

1. Introductory Section, including the City Clerk/Finance Director's transmittal letter;
2. Financial Section, including the financial statements, supplemental data, and our independent auditor's opinion.

3. Statistical Section, including a number of tables of unaudited data detailing the financial history of the City of Grand Blanc for the past ten (10) years, information on overlapping governments, and demographic and other miscellaneous data.

Public Act 2, of 1968 of the State of Michigan, as amended, requires that the financial statements of the City of Grand Blanc be audited by a Certified Public Accountant selected by the City Council. This requirement has been complied with and our auditor's opinion is included in the financial section of this report.

The City of Grand Blanc has, once again, ended its fiscal year in sound financial condition. The City's location, between Flint and Detroit, its excellent quality of life, and its dynamic school system help to make Grand Blanc the most desirable community in Genesee County.

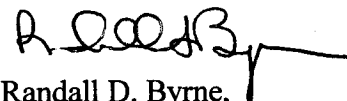
Recognizing the need for a well-planned community, the City annually holds weekend Strategic Planning Session with staff and Council members. This session enables all members of the City team to participate in shaping the future of the City. In past years, the City has invited citizens to participate in the Strategic Planning process to assist City Officials to further define the future needs of its citizens. The final Strategic Plan Document has been published and is available for review at City Hall.

In recent years, the City of Grand Blanc has made many extensive improvements to the City's infrastructure. The City has constructed a City Hall/Police Department Facility, a major addition to the Department of Public Works Administration facility, improvements to the City's water supply system, street improvements and/or beautification projects, and many improvements to the parks located within our boundaries.

The combination of a strong financial base, a futuristic vision for the community, a dedicated, well-trained staff and cooperation from the City Council and residents all help to make the City of Grand Blanc's future bright.

The preparation of this comprehensive annual financial report could not have been accomplished without the effort of the City Clerk/Finance Director. He and his staff have done an excellent job of upgrading and improving the accounting and financial reporting systems of the City of Grand Blanc.

Respectfully submitted,



Randall D. Byrne,
City Manager
City of Grand Blanc

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grand Blanc,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
May 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

Financial Section

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Grand Blanc, Michigan

We have audited the accompanying general purpose financial statements of the City of Grand Blanc, Michigan, as of July 16, 2004 and for the year ended May 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Blanc, Michigan, as of May 31, 2004, and the results of its operations of its proprietary and similar trust funds and the cash flows of its proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual and account group financial statements and schedules, and statistical section listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Grand Blanc, Michigan. Except for the statistical section, such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

July 16, 2004

**General Purpose
Financial Statements**

City of Grand Blanc, Michigan
Combined Balance Sheet - All Fund Types and Account Groups
May 31, 2004

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Cash and cash equivalents	\$ 1,505,334	\$ 1,340,288	\$ 349,904	\$ -
Receivables:				
Taxes	-	-	-	-
Accounts	40	-	-	-
Customers	-	-	-	-
Due from other funds	952,929	85,019	115,298	57,609
Due from other governmental units	392,102	224,951	-	-
Inventories	-	-	-	-
Deposits	10,000	-	-	-
Cash - restricted	12,355	-	-	-
Fixed assets - net of accumulated depreciation	-	-	-	-
Amount available in Debt Service Funds	-	-	-	-
Amount to be provided for retirement of General Long-Term Debt	-	-	-	-
Total assets and other debits	\$ 2,872,760	\$ 1,650,258	\$ 465,202	\$ 57,609

See notes to financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service Equipment Fund	Tax Collection Agency	General Fixed Assets	General Long-Term Debt	2004	2003
\$ 1,436,254	\$ -	\$ 18,734	\$ -	\$ -	\$ 4,650,514	\$ 4,727,138
-	-	88,022	-	-	88,022	88,401
-	-	-	-	-	40	1,109
338,109	-	-	-	-	338,109	316,211
450,897	170,560	-	-	-	1,832,312	740,556
145,831	-	-	-	-	762,884	220,001
10,000	-	-	-	-	10,000	10,000
-	-	-	-	-	10,000	-
-	-	-	-	-	12,355	-
11,627,671	463,371	-	7,110,925	-	19,201,967	14,173,509
-	-	-	-	64,405	64,405	189,011
-	-	-	-	2,113,504	2,113,504	2,945,137
<u>\$ 14,008,762</u>	<u>\$ 633,931</u>	<u>\$ 106,756</u>	<u>\$ 7,110,925</u>	<u>\$ 2,177,909</u>	<u>\$ 29,084,112</u>	<u>\$ 23,411,073</u>

(continued)

City of Grand Blanc, Michigan
Combined Balance Sheet - All Fund Types and Account Groups (continued)
May 31, 2004

Governmental Fund Types

Liabilities

Liabilities:

Accounts payable	\$ 129,257	\$ 213,522	\$ -	\$ -
Retainage payable	-	-	-	-
Accrued liabilities	89,869	-	-	-
Due to other funds	329,118	263,197	400,797	54,494
Due to other governmental units	9,170	-	-	-
Liabilities payable from restricted assets	12,355	-	-	-
Long-term debt	-	-	-	-

Total liabilities

569,769 476,719 400,797 54,494

Equity and Other Credits

Equity and other credits:

Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings/accumulated (deficit)	-	-	-	-

Fund balances:

Unreserved:

Designated	764,263	-	-	3,115
Undesignated	1,538,728	1,173,539	64,405	-

Total equity and other credits

2,302,991 1,173,539 64,405 3,115

Total liabilities, equity,
and other credits

\$ 2,872,760 \$ 1,650,258 \$ 465,202 \$ 57,609

See notes to financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service Equipment Fund	Tax Collection Agency	General Fixed Assets	General Long-Term Debt	2004	2003
\$ 105,173	\$ 2,010	\$ -	\$ -	\$ -	\$ 449,962	\$ 174,808
330,316	-	-	-	-	330,316	-
22,507	-	-	-	182,909	295,285	263,871
703,810	9,164	71,732	-	-	1,832,312	740,556
-	-	35,024	-	-	44,194	77,898
-	-	-	-	-	12,355	-
3,994,642	25,709	-	-	1,995,000	6,015,351	3,083,771
5,156,448	36,883	106,756	-	2,177,909	8,979,775	4,340,904
10,664,918	151,207	-	-	-	10,816,125	10,816,125
-	-	-	7,110,925	-	7,110,925	5,792,813
(1,812,604)	445,841	-	-	-	(1,366,763)	(1,669,545)
-	-	-	-	-	767,378	809,540
-	-	-	-	-	2,776,672	3,321,236
8,852,314	597,048	-	7,110,925	-	20,104,337	19,070,169
\$ 14,008,762	\$ 633,931	\$ 106,756	\$ 7,110,925	\$ 2,177,909	\$ 29,084,112	\$ 23,411,073

City of Grand Blanc, Michigan
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended May 31, 2004

	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$ 2,507,169	\$ 250,099	\$ -
Licenses and permits	137,537	-	-
Intergovernmental revenue:			
Federal	837,507	418,572	-
State	733,305	522,411	-
Local	225,000	-	-
Charges for services	419,811	-	-
Fines and forfeits	30,464	-	-
Interest	20,976	10,253	472
Miscellaneous	110,869	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	5,022,638	1,201,335	472
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	1,488,323	-	-
Public safety	1,998,328	-	-
Public service	794,054	24,851	-
Public works	222,474	-	-
Highways and streets	-	1,142,591	-
Debt service:			
Principal retirement	69,243	-	175,000
Interest and fiscal charges	11,357	-	83,288
	<hr/>	<hr/>	<hr/>
Total expenditures	4,583,779	1,167,442	258,288
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	438,859	33,893	(257,816)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Operating transfers in	-	-	258,285
Operating transfers out	(108,485)	(149,800)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(108,485)	(149,800)	258,285
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other sources over expenditures and other uses	330,374	(115,907)	469
	<hr/>	<hr/>	<hr/>
Fund balances - beginning of year	1,972,617	1,289,446	63,936
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	<u>\$ 2,302,991</u>	<u>\$ 1,173,539</u>	<u>\$ 64,405</u>

See notes to financial statements.

Capital Projects	T o t a l s (Memorandum Only)	
	2004	2003
\$ -	\$ 2,757,268	\$ 2,921,012
-	137,537	99,301
-		
-	1,256,079	820,998
-	1,255,716	1,263,890
-	225,000	517,653
-	419,811	419,007
-	30,464	33,976
-	31,701	66,202
-	110,869	31,950
-	6,224,445	6,173,989
-		
-	1,488,323	1,234,598
-	1,998,328	1,994,499
-	818,905	813,996
-	222,474	204,146
-	1,142,591	1,996,110
-		
-	244,243	608,333
-	94,645	123,969
-	6,009,509	6,975,651
-	214,936	(801,662)
-		
-	258,285	255,595
-	(258,285)	(255,595)
-		
-	-	-
-		
-	214,936	(801,662)
3,115	3,329,114	4,130,776
\$ 3,115	\$ 3,544,050	\$ 3,329,114

City of Grand Blanc, Michigan
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General and Special Revenue Fund Types
Year Ended May 31, 2004

	General Fund		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,524,000	\$ 2,507,169	\$ (16,831)
Licenses and permits	109,630	137,537	27,907
Intergovernmental revenue:			
Federal	713,600	837,507	123,907
State	742,000	733,305	(8,695)
Local	225,000	225,000	-
Charges for services	418,800	419,811	1,011
Fines and forfeits	32,100	30,464	(1,636)
Interest	45,000	20,976	(24,024)
Miscellaneous	95,395	110,869	15,474
Total revenues	4,905,525	5,022,638	117,113
Expenditures:			
Current:			
General government	1,707,495	1,488,323	219,172
Public safety	2,014,145	1,998,328	15,817
Public service	747,985	794,054	(46,069)
Public works	232,230	222,474	9,756
Highways and streets	-	-	-
Debt service:			
Principal retirement	81,813	69,243	12,570
Interest and fiscal charges	11,357	11,357	-
Total expenditures	4,795,025	4,583,779	211,246
Excess (deficiency) of revenues over expenditures	110,500	438,859	328,359
Other financing uses:			
Operating transfers out	(110,500)	(108,485)	2,015
Total other financing sources (uses)	(110,500)	(108,485)	2,015
Excess (deficiency) of revenues over expenditures and other uses	-	330,374	330,374
Fund balances - beginning of year	1,972,617	1,972,617	-
Fund balances - end of year	\$ 1,972,617	\$ 2,302,991	\$ 330,374

See notes to financial statements.

Special Revenue		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 250,600	\$ 250,099	\$ (501)
-	-	-
18,600	418,572	399,972
433,200	522,411	89,211
-	-	-
-	-	-
-	-	-
182,500	10,253	(172,247)
-	-	-
884,900	1,201,335	316,435
-	-	-
-	-	-
18,600	24,851	(6,251)
-	-	-
1,711,260	1,142,591	568,669
-	-	-
-	-	-
1,729,860	1,167,442	562,418
(844,960)	33,893	878,853
(150,800)	(149,800)	1,000
(150,800)	(149,800)	1,000
(995,760)	(115,907)	879,853
1,289,446	1,289,446	-
\$ 293,686	\$ 1,173,539	\$ 879,853

City of Grand Blanc, Michigan
Combined Statement of Revenues, Expenses, and Changes
in Retained Earnings
All Proprietary Fund Types
Year Ended May 31, 2004

	Proprietary Fund Types	
	Enterprise	Internal Service Equipment Fund
Operating revenues:		
Water sales	\$ 795,106	\$ -
Sewer charges	766,753	-
Charges for services - rentals	59,956	240,178
Parts and service	14,642	-
Penalties	28,223	-
Total operating revenues	1,664,680	240,178
Operating expenses:		
Salaries and fringe benefits	633,764	-
Operating supplies	44,689	-
Maintenance and repairs	31,815	87,435
Utilities	97,841	-
Sewage disposal service	518,915	-
Depreciation	292,405	82,002
Insurance	65,000	52,000
Miscellaneous	38,758	-
Equipment rental	140,500	-
Sewer back up	2,733	-
Total operating expenses	1,866,420	221,437
Operating income (loss)	(201,740)	18,741
Nonoperating revenue (expenses):		
Tap in fees	46,100	-
Taxes	300,218	-
Interest income	11,465	-
Interest expense	(925)	(1,854)
Gain on sale of fixed assets	-	12,918
Total nonoperating revenue	356,858	11,064
Net income	155,118	29,805
Retained earnings (deficit) - beginning of year	(1,967,722)	416,036
Retained earnings (deficit) - end of year	\$ (1,812,604)	\$ 445,841

See notes to financial statements.

Totals
(Memorandum Only)

2004	2003
\$ 795,106	\$ 816,369
766,753	797,271
300,134	289,845
14,642	14,861
28,223	33,075
1,904,858	1,951,421
633,764	603,674
44,689	40,691
119,250	82,520
97,841	99,104
518,915	536,102
374,407	412,066
117,000	77,121
38,758	15,309
140,500	110,000
2,733	15,379
2,087,857	1,991,966
(182,999)	(40,545)
46,100	97,400
300,218	48,087
11,465	7,071
(2,779)	(3,154)
12,918	9,000
367,922	158,404
184,923	117,859
(1,551,686)	(1,669,545)
\$ (1,366,763)	\$ (1,551,686)

City of Grand Blanc, Michigan
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended May 31, 2004

	Enterprise Funds	Internal Service Funds Equipment Fund	T o t a l s (Memorandum Only)	
			2004	2003
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (201,740)	\$ 18,741	\$ (182,999)	\$ (40,545)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	292,405	82,002	374,407	412,066
Change in assets - (increase) decrease in:				
Customer receivable	11,192	-	11,192	(33,090)
Due from other funds	(437,703)	(22,135)	(459,838)	(67,028)
Due from other governmental units	(2,311)	-	(2,311)	(143,520)
Change in liabilities - increase (decrease) in:				
Accounts payable	346,818	1,813	348,631	(23,807)
Due to other funds	483,043	-	483,043	132,008
Total adjustments	693,444	61,680	755,124	276,629
Net cash provided by operating activities	491,704	80,421	572,125	236,084
Cash flows from noncapital financing activities:				
Taxes	300,218	-	300,218	48,087
Net cash provided by noncapital financing activities	300,218	-	300,218	48,087
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(3,834,001)	(87,548)	(3,921,549)	(575,269)
Capital contributions	46,100	-	46,100	97,400
Proceeds from issuance of long-term debt	3,825,822	39,702	3,865,524	198,466
Proceeds from sale of fixed assets	-	12,918	12,918	9,000
Interest payments on long-term debt	(925)	(1,854)	(2,779)	(3,154)
Principal payments on long-term debt	(40,226)	(43,639)	(83,865)	(68,545)
Net cash used in capital and related financing activities	(3,230)	(80,421)	(83,651)	(342,102)
Cash flows from investing activities:				
Interest on investments	11,465	-	11,465	7,071
Net cash provided by investing activities	11,465	-	11,465	7,071
Net increase (decrease) in cash and cash equivalents	800,157	-	800,157	(50,860)
Cash and cash equivalents - beginning of year	636,097	-	636,097	686,957
Cash and cash equivalents - end of year	\$ 1,436,254	\$ - 0 -	\$ 1,436,254	\$ 636,097

See notes to financial statements.

**Notes to
Financial Statements**

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. Summary of significant accounting policies

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Financial reporting entity:

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Grand Blanc, Michigan (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or functional relationships with the City.

Component units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended component unit:

City of Grand Blanc Building Authority (Debt Service Fund Type):

- The City appoints the Governing Board
- The Authority provides services exclusively for, and on behalf of, the City
- The Authority was established for the specific purpose of financing building construction activities for the City

Discretely presented component units - The City has no component units that are discretely presented in the financial statements.

B. Basis of presentation - fund accounting:

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into seven generic fund types in three broad fund categories and two account groups as follows:

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. **Summary of significant accounting policies - (continued)**

B. **Basis of presentation - fund accounting: - (continued)**

GOVERNMENTAL FUNDS

General Fund - The General Fund contains the records of the ordinary activities of the City that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for the construction of major fixed assets financed by restricted revenue sources.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The Equipment Fund is used to account for the cost of operating and maintaining certain vehicles and equipment used by other City departments.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the City as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. **Summary of significant accounting policies - (continued)**

B. **Basis of presentation - fund accounting: - (continued)**

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all the long-term debt of the City, except that accounted for in the proprietary funds.

C. **Basis of accounting:**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include most federal intergovernmental revenues (e.g., federal grants) and charges for services. Most state intergovernmental revenues (e.g., income taxes, sales taxes, Act 51 funds), licenses and permits, fines and forfeits, and miscellaneous revenue sources, generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, provided the liability normally would be liquidated with available, expendable financial resources. The major exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Unbilled Water Fund and Sewer Fund utility service receivables are recorded at year end.

Non-exchange contributions (generally tap-in fees) are recorded as non-operating revenues.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. Summary of significant accounting policies - (continued)

D. Budgetary data:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.

Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

2. Public hearings are conducted to obtain taxpayer comments.
3. In May, by resolution, the budget is legally enacted on a departmental (activity) basis for the General Fund and on a fund total for the Special Revenue Funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Budget appropriations lapse at year end.
7. The original budget was amended during the year in compliance with the City Charter and applicable state laws. The budget-to-actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City Council.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. Summary of significant accounting policies - (continued)

E. Assets, liabilities, and fund equity:

Cash, cash equivalents, and investments

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value. During the year ended May 31, 1999, the City adopted Government Accounting Standards Board Statement No. 31, *"Accounting and Reporting for Certain Investments and for External Investment Pool,"* which requires the City to carry its investments at fair value.

Inventory

Inventory in the Enterprise Fund consists of expendable supplies held for consumption. Inventory is valued at the lower of first in/first out (FIFO) cost or market. The cost is recorded as an expense at the time individual inventory items are consumed.

Fixed assets and long-term liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their fair market value on the date donated.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. Summary of significant accounting policies - (continued)

E. Assets, liabilities, and fund equity: - (continued)

Fixed assets and long-term liabilities -(continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives ranging from 3-50 years using the straight-line method.

F. Revenues, expenditures, and expenses:

Property taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes, levied and immediately due on the following July 1, are collected without penalty through August 31, and with penalty thereafter. City property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available. The City bills and collects its own property taxes, as well as taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Tax Collection Agency Fund. The City's charter allows the City to levy 20 mills. The City levied for 2003 general operating 9.9500 mills, streets 1.0000 mill, and water operating .8000 mills for a total of 11.1500 mills. The City has voted levies for water debt service .4000 mill which expires in 2023 and parks and recreation .9852 mills which expires in 2007.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

1. Summary of significant accounting policies - (continued)

F. Revenues, expenditures, and expenses: - (continued)

Accumulated unpaid vacation, personal, and sick pay

All vacation days accumulated must be used by December 31 each year, or the vacation pay will be forfeited. Depending on the employee group, up to five days of accumulated personal days will be paid to each employee at December 31 of each year. Up to 40 sick days may be accumulated by each employee. Any unused sick pay of employees will be paid at fifty percent of the outstanding balance upon retirement only.

Accumulated vested unpaid vacation and personal at May 31, 2004, is recorded in the financial statements of the City as follows:

Governmental Fund Types

- A current year expenditure if paid out of expendable available financial resources.
- Part of the General Long-Term Debt Account Group if expected to be liquidated from future financial resources.

Proprietary Fund Types

- A current year expense.

G. Comparative data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

H. Total columns on General Purpose Financial Statements:

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

I. Reclassifications:

Certain year 2003 comparative figures have been reclassified to conform to the current year presentation.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

2. Cash and cash equivalents and investments

Deposits:

At year end, the carrying amount of the City's deposits was \$1,392,633, excluding petty cash of \$675, and the bank balance was \$1,658,895. The bank balance included outstanding checks at year end. Of the bank balance, \$500,000 or 30%, was insured and \$1,158,892 or 70% was uninsured or uncollateralized. Certificates of deposits represented \$600,000 of the balance.

Investments:

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. In addition, the City has authorized the following depositories: Republic Bank, Citizens Bank, Bank One, Standard Federal, and Fifth-Third Bank.

The City's investments in mutual funds are not categorized by credit risk because they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments (governmental mutual fund sweeps)	<u>\$3,269,561</u>	<u>\$3,269,561</u>

Balance sheet presentation:

Deposits	\$1,392,633
Petty cash	675
Investments	3,269,561
Less cash restricted	<u>(12,355)</u>
Cash and cash equivalents - unrestricted	<u>\$4,650,514</u>

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

3. Fixed assets

A summary of changes in general fixed assets follows:

	Balance June 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance May 31, <u>2004</u>
Land and buildings	\$5,128,737	\$860,228	\$ -	\$5,988,965
Vehicles	364,959	-	-	364,959
Equipment	749,746	7,255	-	757,001
Total	<u>\$6,243,442</u>	<u>\$867,483</u>	<u>\$ -0-</u>	<u>\$7,110,925</u>

A summary of proprietary fund fixed assets at May 31, 2004, follows:

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Depreciable Life-Years</u>
Land	\$ 39,900	\$ -	-
Land improvements	155,220	-	-
Buildings	153,385	-	20
Water distribution system	7,915,961	-	55
Sewage collection system	5,740,102	-	50
Machinery and equipment	152,016	1,258,154	3-20
Construction in progress	4,376,650	-	-
Total	18,533,234	1,258,154	
Less accumulated depreciation	<u>6,905,563</u>	<u>794,783</u>	
Net	<u>\$11,627,671</u>	<u>\$ 463,371</u>	

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

4. Long-term debt

Outstanding debt - The following is a summary of the debt outstanding of the City as of May 31, 2004:

	Final Payment Due	Approximate Interest Rate	Annual Principal Payment Varies Between	Outstanding Balance May 31, 2004
Internal Service Equipment Fund: Equipment note payable	June 17, 2005	5.85	25,709	\$ 25,709
Enterprise Funds:				
Water Fund Debt:				
2003 Drinking Water Revolving Fund Bond	October 1, 2022	2.5	150,000 - 235,000	3,600,000
2003 Drinking Water Revolving Fund Bond	October 1, 2022	2.5	To be determined	394,642
Total				3,994,642
General Long-Term Debt Account Group:				
1993 Michigan Transportation Fund Bonds	August 1, 2010	3.25-5.375	30,000 - 40,000	210,000
1995 Building Authority Bonds	October 1, 2006	3.8-5.0	75,000 - 100,000	175,000
1999 Building Authority Bonds	October 1, 2006	3.4-4.5	20,000 - 30,000	50,000
2001 Installment Note Payable	April 1, 2010	5.25	25,000 - 30,000	160,000
2001 Michigan Transportation Fund Bonds	August 1, 2017	2.0	50,000 - 175,000	1,400,000
Total				1,995,000
Accumulated employee benefits				182,909
Total general long-term debt				2,177,909
Total long-term debt				\$6,198,260

The accumulated employee benefits represent the estimated liability to be paid to employees under the City's personal, and vacation policy, net of the portion that is estimated will be paid currently. Under the City's policy, employees earn personal, vacation, and sick time based on time of service with the City.

Resources are transferred from the Major Street and Local Street Funds to the Debt Service Fund to repay the Michigan Transportation bonds. General Fund resources are used to pay the Building Authority bonds. Property taxes are levied to pay a portion of the 2003 Drinking Water Revolving Fund Bonds. Operating revenues will be used to pay the remainder of the 2003 Drinking Water Revolving Fund Bonds. General Fund resources will be used to pay the installment and equipment notes payable.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

4. Long-term debt - (continued)

Changes in long-term debt - The following is a summary of long-term debt transactions of the City for the year ended May 31, 2004:

	<u>General Obligation</u>		<u>Proprietary Funds</u>		
	<u>Accrued Liabilities</u>	<u>Bonds and Notes</u>	<u>Bonds</u>	<u>Notes Payable</u>	<u>Total</u>
Long-term debt at May 31, 2003	\$181,225	\$2,236,667	\$ 209,046	\$29,646	\$2,656,584
New debt issued	-	-	3,825,822	39,702	3,865,524
Net increase in obligation for employee benefits	1,684	-	-	-	1,684
Debt retired	-	241,667	40,226	43,639	325,532
Long-term debt at May 31, 2004	<u>\$182,909</u>	<u>\$1,995,000</u>	<u>\$3,994,642</u>	<u>\$25,709</u>	<u>\$6,198,260</u>

Debt service requirements on general obligation and bonded debt:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ended 5-31-2005	\$ 249,595	\$ 175,000	\$ 74,595
5-31-2006	275,949	210,000	65,949
5-31-2007	168,934	110,000	58,934
5-31-2008	164,396	110,000	54,396
5-31-2009	164,590	115,000	49,590
5-31-2010 to 2014	785,074	615,000	170,074
5-31-2015 to 2017	532,939	500,000	32,939
	<u>\$2,341,477</u>	<u>\$1,835,000</u>	<u>\$506,477</u>

All general obligation contracts and bonded debt are supported by the City's "unlimited tax" or "limited tax" full faith and credit.

Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

Enterprise fund's debt service requirements on general obligation and bonded debt:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ended 5-31-2005	\$ 238,125	\$ 150,000	\$ 88,125
5-31-2006	239,313	155,000	84,313
5-31-2007	235,438	155,000	80,438
5-31-2008	236,500	160,000	76,500
5-31-2009	237,438	165,000	72,438
5-31-2010 to 2014	1,196,876	900,000	296,876
5-31-2015 to 2019	1,183,064	1,005,000	178,064
5-31-2020 to 5023	956,127	910,000	46,127
	<u>\$4,522,881</u>	<u>\$3,600,000</u>	<u>\$922,881</u>

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

4. Long-term debt - (continued)

The 2003 Drinking Water Revolving Fund Bonds will be repaid by the Water Fund. The City had only borrowed \$394,642 of a possible \$800,000 as of May 31, 2004. Therefore, the annual debt requirements on this bond were not known as of May 31, 2004.

All general obligation contracts and bonded debt are supported by the City's "unlimited tax" or "limited tax" full faith and credit.

Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

Internal Service Equipment fund debt requirements on equipment notes payable:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ended 5-31-2005	\$13,993	\$12,489	\$1,504
5-31-2006	13,993	13,220	773
	<u>\$27,986</u>	<u>\$25,709</u>	<u>\$2,277</u>

General fund debt requirements on installment and equipment notes payable:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ended 5-31-2005	\$ 33,400	\$ 25,000	\$ 8,400
5-31-2006	32,088	25,000	7,088
5-31-2007	30,775	25,000	5,775
5-31-2008	29,463	25,000	4,463
5-31-2009	33,150	30,000	3,150
5-31-2010	31,575	30,000	1,575
	<u>\$190,451</u>	<u>\$160,000</u>	<u>\$30,451</u>

General Fund installment and equipment notes are secured by the underlying land or equipment being purchased.

Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

By state statute, the City has a legal debt limit amounting to 10% of the assessed value of real and personal property. As of May 31, 2004, the City had a legal debt limit of \$28,480,639 and had incurred \$0 in debt subject to limitation.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

5. Segment information for enterprise funds

The City maintains two enterprise funds that provide water and sewer services. Segment information for the year ended May 31, 2004, was as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$ 897,927	\$ 766,753	\$ 1,664,680
Depreciation expense	171,763	120,642	292,405
Operating income (loss)	5,527	(207,267)	(201,740)
Non-operating revenue (expenses):			
Taxes	300,218	-	300,218
Tap in fees	20,600	25,500	46,100
Interest income	7,807	3,658	11,465
Interest expense	-	(925)	(925)
Net income (loss)	334,152	(179,034)	155,118
Land, buildings, and equipment:			
Additions	3,834,001	-	3,834,001
Net working capital	507,200	562,085	1,069,285
Total assets	10,550,283	3,458,479	14,008,762
Total liabilities	4,926,370	230,078	5,156,448
Total equity:			
Contributed capital	5,744,528	4,920,390	10,664,918
Retained earnings (deficit)	(120,615)	(1,691,989)	(1,812,604)

6. Inter-fund receivables and payables

The composition of inter-fund balances as of May 31, 2004 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Major Street	\$ 31,610
	Local Street	95,475
	Building Authority	302,604
	Water	344,031
	Sewer	119,096
	Current tax	60,113

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

6. Inter-fund receivables and payables – (continued)

Due to/from other funds: - (continued)

Receivable <u>Fund</u>	Payable <u>Fund</u>	<u>Amount</u>
Major Street	General	20,327
	Local Street	28,542
Local Street	General	5,733
	Current tax	5,282
Capital Improvement	General	23,368
Community Development	General	1,767
Debt Service - Water	General	49,754
Capital Projects	General	57,609
Building Authority	Capital Improvement	11,050
	Capital Project	54,494
Sewer	Major Street	64,604
	Local Street	20,116
	Water	238,013
	Equipment	9,000
Water	Major Street	7,351
	Local Street	4,449
	Debt Service – Water	98,193
	Sewer	2,670
	Equipment	164
	Current tax	6,337
Equipment	General	170,560
Total		<u>\$1,832,312</u>

7. Joint ventures

The City is a member of Grand Blanc District Library Commission. The City appoints two members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of December 31, 2003:

Total assets	\$234,335
Total liabilities	3,671
Total equity	230,664
Total revenue	91,517
Total expenditures	94,978
Decrease in fund balance	(3,461)
Total joint venture's outstanding debt	-

The City's financial interest in the Library Commission's equity as of December 31, 2003 was \$57,666 or 25%.

The audit report can be obtained at the Library's office, 515 Perry Road, Grand Blanc, Michigan.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

7. Joint ventures – (continued)

The City is also a member of Grand Blanc Parks and Recreation Commission. The City appoints two members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their latest available audit report, is as of December 31, 2003:

Total assets	\$ 371,533
Total liabilities	31,795
Total equity	339,738
Total revenue	1,077,114
Total expenditures	951,130
Increase in fund balance	125,984
Total joint venture's outstanding debt	-

The City's financial interest in the Parks and Recreation Commission's equity as of December 31, 2003 was \$135,895 or 40%.

The audit report can be obtained at the Parks Commission office, 1505 E. Grand Blanc Road, Grand Blanc, Michigan.

The City is also a member of the Grand Blanc Community Fire Commission. The Fire Commission was formed on January 1, 1990, by a joint resolution of the City of Grand Blanc and Grand Blanc Township. The City appoints two members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of December 31, 2003:

Total assets	\$2,322,586
Total liabilities	339,617
Total equity	1,982,969
Total revenue	691,522
Total expenditures	662,839
Increase in fund balance	28,683
Total joint venture's outstanding debt	260,000

The City's financial interest in the Fire Commission's equity as of December 31, 2003 was \$495,742 or 25%.

The audit report can be obtained at the Fire Commission office, 117 High Street, Grand Blanc, Michigan.

**City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004**

8. Designated fund balances

The fund balance of the General Fund has been designated for the following purposes:

General Fund:

Working capital, in an amount approximating one-fourth of the anticipated tax revenue, for the year ended May 31, 2005	\$644,263
City employee retirement benefit costs	<u>120,000</u>
Total	<u>\$764,263</u>

The capital project fund balance is designated for library capital improvements.

9. Pension plans

During the year ended May 31, 1998, the City adopted Government Accounting Standards Board Statements No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans"* and No. 27, *"Accounting for Pensions by State and Local Governmental Employers."*

A. Defined contribution - I.C.M.A.

During the year ended May 31, 1994, the City began participation in a defined contribution plan. The plan is a single employer defined contribution plan administered by the International City Managers Association. The plan covers all full-time employees that elected to participate in the plan. The City has no fiduciary responsibilities for the plan administration or investment of the funds.

The City's pension plan was organized under Public Act #135 of 1945 as amended, State of Michigan. Employees are eligible to participate in the pension plan after one month of service with a minimum age requirement of 21. The plan provides for employees to be 100% vested after three years of service, with 0% vesting prior to that point. The minimum required contributions for plan participants is 11.5% of base salary to be paid by the employer. Employees did not contribute to the plan during the year.

During the year, contributions totaling \$158,806 were made by the employer in accordance with contribution requirements established by counsel.

All investments are handled through ICMA. The plan allows loans to participants. Plan assets do not consist of any employer or related party investments.

B. Defined benefit - Michigan Municipal Employee Retirement System

Plan description

During the year ended May 31, 1996, the City of Grand Blanc elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The reports can be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917.

**City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004**

9. Pension plans - (continued)

B. Defined benefit - Michigan Municipal Employee Retirement System – (continued)

Plan description– (continued)

Currently, the City's police patrol unit is the only employee bargaining group participating in the plan.

Membership in the plan at December 31, 2003, the date of the latest actuarial valuation, is comprised of 14 active members, 3 inactive members, and 17 retirees and beneficiaries.

The plan provides for vesting of benefits after 6 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 50 with 25 or more years of service at a reduced benefit. Election of early retirement is subject to reduction of benefits as outlined below.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.5% of the member's final average compensation (FAC). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Funding policy

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

There were no pension contributions withheld from employees during the year ended May 31, 2004.

Actuarial assumptions

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2002
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	33 years open
Asset valuation method	5 year smoothed market
Investment rate of return	8.0 %
Projected salary increases	4.5% - 8.66%
Includes inflation at	4.5%
Cost of living adjustments (COLA)	up to 2.5%

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

9. Pension plans - (continued)

B. Defined benefit - Michigan Municipal Employee Retirement System - (continued)

Annual pension cost

The City's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended May 31, 2004 was \$73,444. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at May 31, 2004. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the year ended May 31, 2004, 2003, and 2002 are summarized as follows:

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
5/31/02	12/31/01	\$ 51,151	100.0%	\$ -
5/31/03	12/31/02	63,718	100.0	-
5/31/04	12/31/03	73,444	100.0	-

The Plan's Schedule of Funding Progress and Schedule of Employer Contributions can be found in the Required Supplementary Information section, located at page 33.

10. Contingencies

Federal assisted programs - compliance audits:

The City participates in the federally assisted Community Development Block Grant and COPS in School. These programs are subject to program compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

11. Post-employment benefits

Substantially all employees are eligible to receive post-employment benefits upon retirement in the form of health care, dental, and life insurance benefits. These benefits are provided by contractual agreement and are paid annually by the General Fund. The City funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$40,096 during the year ended May 31, 2004. The total number of eligible retirees amounted to eight individuals at May 31, 2004. By contractual agreement, the City pays 100% of these costs. There are no provisions for employee contributions.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

12. Stewardship, compliance, and accountability

Deficit fund balance/retained earnings:

The City has an accumulated deficit retained earnings/fund balance in the following funds:

<u>Fund</u>	<u>Deficit Balance</u>
Enterprise Fund:	
Sewer Fund	\$1,691,989
Water Fund	120,615

The deficit in the Sewer and Water Enterprise Funds was caused by operating expenses exceeding operating revenues. The Sewer Fund and Water Fund have positive total fund equity and positive working capital.

Expenditures over budget:

The following individual funds incurred expenditures in excess of appropriations:

<u>Fund</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund	City Clerk	\$ 97,790	\$ 98,201	\$ 411
	Public Service	747,985	794,054	46,069
Special Revenue				
Fund Types:				
Major Street	Operating transfers out	122,500	130,732	8,232
Community Development	Public Service	18,600	24,851	6,251

13. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. Risk management

The City is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The City has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City pays unemployment claims on a reimbursement basis.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2004

15. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended May 31, 2004 is as follows:

Construction permit revenue	\$ 45,143
Expenditures:	
Professional services	<u>(91,084)</u>
Revenue over (under) expenditures	<u>\$ (45,941)</u>

16. Federal awards

It is required by the Michigan Department of Transportation (MDOT) that governmental units report total federal awards for Highway Research, Planning and Construction pertaining to their unit. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act. The reason for this requirement is that the City is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended May 31, 2004, the City of Grand Blanc did have \$500,000 in total federal awards (local force revenue applicable to force account expenditures plus any other federal grants). As a result, an audit for compliance under the Single Audit Act has been performed.

Required Supplementary Information

City of Grand Blanc, Michigan
Required Supplementary Information
Analysis of Funding Progress

Pension Plan
Schedule of Funding Progress

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c</u>
5/31/02	12/31/01	\$1,127,472	\$1,246,405	\$118,933	90.5%	\$639,386	18.6%
5/31/03	12/31/02	1,248,576	1,621,050	372,474	77.0	715,781	52.0
5/31/04	12/31/03	1,443,333	1,761,082	317,749	82.0	733,867	43.0

Pension Plan
Schedule of Employer Contributions

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percent Contributed</u>
5/31/02	12/31/01	\$ 51,151	100.0%
5/31/03	12/31/02	63,718	100.0
5/31/04	12/31/03	73,444	100.0

**Financial Statements
of Individual Funds**

General Fund

General Fund - To account for resources traditionally associated with governments, which are not required to be accounted for in another fund.

City of Grand Blanc, Michigan
General Fund
Schedule of Expenditures by Activity and Transfers
Year Ended May 31, 2004

	Budget	Actual	Variance- Favorable (Unfavorable)
General government:			
Administration	\$ 238,450	\$ 200,745	\$ 37,705
City manager	132,330	131,977	353
Elections	15,500	5,187	10,313
Assessor	43,365	35,873	7,492
City clerk	97,790	98,201	(411)
City treasurer	23,690	22,455	1,235
City hall	100,490	72,892	27,598
City property	909,900	878,190	31,710
Personnel	4,750	2,707	2,043
Retirement benefits	141,230	40,096	101,134
Total general government	1,707,495	1,488,323	219,172
Public safety:			
Police department	1,922,050	1,907,244	14,806
Building inspection	92,095	91,084	1,011
Total public safety	2,014,145	1,998,328	15,817
Public service	747,985	794,054	(46,069)
Public works	232,230	222,474	9,756
Debt service:			
Principal retirement	81,813	69,243	12,570
Interest and fiscal charges	11,357	11,357	-
Total debt service	93,170	80,600	12,570
Total expenditures	4,795,025	4,583,779	211,246
Operating transfers to other funds	110,500	108,485	2,015
Total expenditures and transfers	\$ 4,905,525	\$ 4,692,264	\$ 213,261

Special Revenue Funds

Major and Local Street Funds - To account for the operations of the City's street maintenance department. Financing for the activities of these funds is provided primarily by state gasoline taxes (Act 51 funds). Use of Act 51 funds is restricted, with certain exceptions, to defraying the cost of maintaining major and local streets in the City.

Capital Improvements - To account for non-tax revenues set aside for public improvements.

Community Development Fund - To account for revenues earned and expenditures incurred by the City as a sub-grantee of the Community Development Block Grant Program. The program includes projects for the museum elevator, the master plan update, and other community enrichment activities.

City of Grand Blanc, Michigan
Special Revenue Funds
Combining Balance Sheet
May 31, 2004

	Major Street	Local Street	Capital Improvements
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,047,785	\$ 292,503	\$ -
Due from other funds	48,869	11,015	23,368
Due from other governmental units	193,131	27,370	-
Total assets	<u>\$ 1,289,785</u>	<u>\$ 330,888</u>	<u>\$ 23,368</u>
Liabilities and Fund Balances			
Current liabilities:			
Accounts payable	\$ 205,908	\$ 1,397	\$ -
Due to other funds	103,565	148,582	11,050
Total liabilities	<u>309,473</u>	<u>149,979</u>	<u>11,050</u>
Fund balances:			
Unreserved:			
Undesignated	<u>980,312</u>	<u>180,909</u>	<u>12,318</u>
Total fund balance	<u>980,312</u>	<u>180,909</u>	<u>12,318</u>
Total liabilities and fund balances	<u>\$ 1,289,785</u>	<u>\$ 330,888</u>	<u>\$ 23,368</u>

<u>Community Development</u>	<u>Totals</u>
\$ -	\$ 1,340,288
1,767	85,019
4,450	224,951
<hr/>	
\$ 6,217	\$ 1,650,258
<hr/>	

\$ 6,217	\$ 213,522
-	263,197
<hr/>	
6,217	476,719
<hr/>	
-	1,173,539
<hr/>	
-	1,173,539
<hr/>	
\$ 6,217	\$ 1,650,258
<hr/>	

**City of Grand Blanc, Michigan
Special Revenue Funds
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balance
Year Ended May 31, 2004**

	Major Street	Local Street	Capital Improvements
Revenues:			
Taxes	\$ 62,600	\$ 187,499	\$ -
Intergovernmental revenue:			
Federal	386,209	9,512	-
State	378,233	142,178	-
Interest	6,696	3,557	-
Total revenues	833,738	342,746	-
Expenditures:			
Current:			
Public service	-	-	-
Highways and streets	806,301	336,290	-
Total expenditures	806,301	336,290	-
Excess of revenues over expenditures	27,437	6,456	-
Other financing uses:			
Operating transfers out	(130,732)	(19,068)	-
Total other financing uses	(130,732)	(19,068)	-
Deficiency of revenues over expenditures and other uses	(103,295)	(12,612)	-
Fund balance - beginning of year	1,083,607	193,521	12,318
Fund balance - end of year	\$ 980,312	\$ 180,909	\$ 12,318

<u>Community Development</u>	<u>Totals</u>
\$ -	\$ 250,099
22,851	418,572
2,000	522,411
-	10,253
<u>24,851</u>	<u>1,201,335</u>
24,851	24,851
-	1,142,591
<u>24,851</u>	<u>1,167,442</u>
-	33,893
-	(149,800)
-	(149,800)
-	(115,907)
-	1,289,446
<u>\$ - 0 -</u>	<u>\$ 1,173,539</u>

City of Grand Blanc, Michigan
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Year Ended May 31, 2004

	Major Street		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 62,600	\$ 62,600	\$ -
Intergovernmental revenue:			
Federal	-	386,209	386,209
State	305,000	378,233	73,233
Interest	180,000	6,696	(173,304)
Total revenues	547,600	833,738	286,138
Expenditures:			
Current:			
Public service	-	-	-
Highways and streets	1,270,860	806,301	464,559
Total expenditures	1,270,860	806,301	464,559
Excess (deficiency) of revenues over expenditures	(723,260)	27,437	750,697
Other financing uses:			
Operating transfers out	(122,500)	(130,732)	(8,232)
Total other financing uses	(122,500)	(130,732)	(8,232)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(845,760)	(103,295)	742,465
Fund balance - beginning of year	1,083,607	1,083,607	-
Fund balance - end of year	\$ 237,847	\$ 980,312	\$ 742,465

Local Street		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 188,000	\$ 187,499	\$ (501)
-	9,512	9,512
128,200	142,178	13,978
2,500	3,557	1,057
318,700	342,746	24,046
-	-	-
440,400	336,290	104,110
440,400	336,290	104,110
(121,700)	6,456	128,156
(28,300)	(19,068)	9,232
(28,300)	(19,068)	9,232
(150,000)	(12,612)	137,388
193,521	193,521	-
\$ 43,521	\$ 180,909	\$ 137,388

Capital Improvements		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
12,318	12,318	-
\$ 12,318	\$ 12,318	\$ - 0 -

(continued)

City of Grand Blanc, Michigan
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (continued)
Year Ended May 31, 2004

	Community Development		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenue:			
Federal	18,600	22,851	4,251
State	-	2,000	2,000
Interest	-	-	-
Total revenues	18,600	24,851	6,251
Expenditures:			
Current:			
Public service	18,600	24,851	(6,251)
Highways and streets	-	-	-
Total expenditures	18,600	24,851	(6,251)
Excess (deficiency) of revenues over expenditures	-	-	-
Other financing uses:			
Operating transfers out	-	-	-
Total other financing uses	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	-
Fund balance - beginning of year	-	-	-
Fund balance - end of year	\$ - 0 -	\$ - 0 -	\$ - 0 -

T o t a l s		
Budget	Actual	Variance- Favorable (Unfavorable)
\$ 250,600	\$ 250,099	\$ (501)
18,600	418,572	399,972
433,200	522,411	89,211
182,500	10,253	(172,247)
884,900	1,201,335	316,435
18,600	24,851	(6,251)
1,711,260	1,142,591	568,669
1,729,860	1,167,442	562,418
(844,960)	33,893	878,853
(150,800)	(149,800)	1,000
(150,800)	(149,800)	1,000
(995,760)	(115,907)	879,853
1,289,446	1,289,446	-
\$ 293,686	\$ 1,173,539	\$ 879,853

Debt Service Funds

1993 Transportation Bond Debt Service - To account for the servicing of the 1993 Transportation Bonds.

2001 Transportation Bond Debt Service - To account for the servicing of the 2001 Transportation Bonds.

Water Project Debt Service - To account for the servicing of the 1991 General Obligation Water Bonds.

Building Authority - To account for the servicing of the 1995 Building Authority Bonds and the 1999 Building Authority Bonds.

City of Grand Blanc, Michigan
Debt Service Funds
Combining Balance Sheet
May 31, 2004

	1993	2001	Water
	Transportation	Transportation	Project
	Bond Debt	Bond Debt	Debt
	Service	Service	Service
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 99,262
Due from other funds	-	-	49,754
Total assets	\$ - 0 -	\$ - 0 -	\$ 149,016
Liabilities and Fund Balance			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 98,193
Total liabilities	-	-	98,193
Fund balance:			
Unreserved and undesignated	-	-	50,823
Total liabilities and fund balance	\$ - 0 -	\$ - 0 -	\$ 149,016

Building Authority		Totals	
\$	250,642	\$	349,904
	65,544		115,298
\$	316,186	\$	465,202

\$	302,604	\$	400,797
	302,604		400,797
	13,582		64,405
\$	316,186	\$	465,202

City of Grand Blanc, Michigan
Debt Service Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Year Ended May 31, 2004

	1993 Transportation Bond Debt Service	2001 Transportation Bond Debt Service	Water Project Debt Service
Revenues:			
Interest	\$ -	\$ -	\$ 472
Total revenues	-	-	472
Expenditures:			
Debt service:			
Principal retirement	30,000	50,000	-
Interest and fiscal charges	11,775	58,025	-
Total expenditures	41,775	108,025	-
Excess (deficiency) of revenues over expenditures	(41,775)	(108,025)	472
Other financing sources:			
Operating transfers in	41,775	108,025	-
Total other financing sources	41,775	108,025	-
Excess (deficiency) of revenues and other sources over expenditures	-	-	472
Fund balances - beginning of year	-	-	50,351
Fund balances - end of year	\$ - 0 -	\$ - 0 -	\$ 50,823

Building Authority	Totals
\$ -	\$ 472
-	472
95,000	175,000
13,488	83,288
108,488	258,288
(108,488)	(257,816)
108,485	258,285
108,485	258,285
(3)	469
13,585	63,936
\$ 13,582	\$ 64,405

Enterprise Funds

Sewer and Water Funds - To account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, and billing and collection.

City of Grand Blanc, Michigan
Enterprise Funds
Combining Balance Sheet
May 31, 2004

	Water	Sewer	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,103,224	\$ 333,030	\$ 1,436,254
Receivables:			
Customers	210,709	127,400	338,109
Due from other funds	119,164	331,733	450,897
Due from other governmental units	145,831	-	145,831
Inventory	10,000	-	10,000
Total current assets	1,588,928	792,163	2,381,091
Long-term assets:			
Fixed assets (net of accumulated depreciation)	8,961,355	2,666,316	11,627,671
Total assets	\$ 10,550,283	\$ 3,458,479	\$ 14,008,762
Liabilities and Fund Equity			
Current liabilities:			
Accounts payable	\$ 1,871	\$ 103,302	\$ 105,173
Retainage fee payable	330,316	-	330,316
Accrued liabilities	17,497	5,010	22,507
Due to other funds	582,044	121,766	703,810
Current portion of bonds payable	150,000	-	150,000
Total current liabilities	1,081,728	230,078	1,311,806
Long-term liabilities:			
Bonds payable	3,844,642	-	3,844,642
Total long-term liabilities	3,844,642	-	3,844,642
Total liabilities	4,926,370	230,078	5,156,448
Fund equity:			
Contributed capital	5,744,528	4,920,390	10,664,918
Retained earnings (deficit)	(120,615)	(1,691,989)	(1,812,604)
Total fund equity	5,623,913	3,228,401	8,852,314
Total liabilities and fund equity	\$ 10,550,283	\$ 3,458,479	\$ 14,008,762

City of Grand Blanc, Michigan
Enterprise Funds
Combining Statement of Revenues, Expenses,
and Changes in Retained Earnings
Year Ended May 31, 2004

	Water	Sewer	Total
Operating revenues:			
Water sales	\$ 795,106	\$ -	\$ 795,106
Sewer charges	-	766,753	766,753
Rentals	59,956	-	59,956
Parts and service	14,642	-	14,642
Penalties	28,223	-	28,223
Total operating revenues	897,927	766,753	1,664,680
Operating expenses:			
Salaries and fringe benefits	398,873	234,891	633,764
Operating supplies	42,043	2,646	44,689
Maintenance and repairs	30,612	1,203	31,815
Utilities	95,776	2,065	97,841
Sewage disposal service	-	518,915	518,915
Depreciation	171,763	120,642	292,405
Insurance	35,000	30,000	65,000
Miscellaneous	35,333	3,425	38,758
Equipment rental	83,000	57,500	140,500
Sewer back up	-	2,733	2,733
Total operating expenses	892,400	974,020	1,866,420
Operating income (loss)	5,527	(207,267)	(201,740)
Nonoperating revenue (expenses):			
Tap-in fees	20,600	25,500	46,100
Taxes	300,218	-	300,218
Interest income	7,807	3,658	11,465
Interest expense	-	(925)	(925)
Total nonoperating revenue	328,625	28,233	356,858
Net income (loss)	334,152	(179,034)	155,118
Retained earnings (deficit) - beginning of year	(454,767)	(1,512,955)	(1,967,722)
Retained earnings (deficit) - end of year	\$ (120,615)	\$ (1,691,989)	\$ (1,812,604)

City of Grand Blanc, Michigan
Enterprise Funds
Combining Statement of Cash Flows
Year Ended May 31, 2004

	Water	Sewer	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 5,527	\$ (207,267)	\$ (201,740)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	171,763	120,642	292,405
Change in assets - (increase) decrease in:			
Customer receivable	8,089	3,103	11,192
Due from other funds	(116,678)	(321,025)	(437,703)
Due from other governmental units	(2,311)	-	(2,311)
Change in liabilities - increase (decrease) in:			
Accounts payable	328,501	18,317	346,818
Due to other funds	362,778	120,265	483,043
Total adjustments	752,142	(58,698)	693,444
Net cash provided by (used in) operating activities	757,669	(265,965)	491,704
Cash flows from noncapital financing activities:			
Taxes	300,218	-	300,218
Net cash provided by noncapital financing activities	300,218	-	300,218
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,834,001)	-	(3,834,001)
Capital contributions	20,600	25,500	46,100
Proceeds from issuance of long-term debt	3,825,822	-	3,825,822
Proceeds from sale of fixed assets	-	-	-
Interest payments on long-term debt	-	(925)	(925)
Principal payments on long-term debt	-	(40,226)	(40,226)
Net cash provided by (used in) capital and related financing activities	12,421	(15,651)	(3,230)
Cash flows from investing activities:			
Interest on investments	7,807	3,658	11,465
Net cash provided by investing activities	7,807	3,658	11,465
Net increase (decrease) in cash and cash equivalents	1,078,115	(277,958)	800,157
Cash and cash equivalents - beginning of year	25,109	610,988	636,097
Cash and cash equivalents - end of year	\$ 1,103,224	\$ 333,030	\$ 1,436,254

Fiduciary Funds

Agency Funds

Tax Collection - To account for the collection and payment to the county, school districts, and other City funds of property taxes collected by the City on their behalf.

**City of Grand Blanc, Michigan
Tax Collection Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended May 31, 2004**

	Balance June 1, 2003	Additions	Deductions	Balance May 31, 2004
<u>Tax Collection Agency Fund</u>				
Assets				
Cash and cash equivalents	\$ 19,707	\$ 10,013,904	\$ 10,014,877	\$ 18,734
Taxes receivable	69,651	88,022	69,651	88,022
Total assets	<u>\$ 89,358</u>	<u>\$ 10,101,926</u>	<u>\$ 10,084,528</u>	<u>\$ 106,756</u>
Liabilities				
Due to other funds	\$ 63,455	\$ 739,669	\$ 731,392	\$ 71,732
Due to other governmental units	25,903	9,362,257	9,353,136	35,024
Total liabilities	<u>\$ 89,358</u>	<u>\$ 10,101,926</u>	<u>\$ 10,084,528</u>	<u>\$ 106,756</u>

General Fixed Assets Account Group

To account for fixed assets not used in proprietary fund operations.

City of Grand Blanc, Michigan
Schedule of General Fixed Assets - By Source
May 31, 2004

General fixed assets:	
Land and buildings	\$ 5,988,965
Vehicles	364,959
Equipment	<u>757,001</u>
Total general fixed assets	<u><u>\$ 7,110,925</u></u>

Investment in general fixed assets from:	
General Fund revenue	\$ 5,147,041
Proceeds of general obligation bond issue	<u>1,963,884</u>
Total investment in general fixed assets	<u><u>\$ 7,110,925</u></u>

City of Grand Blanc, Michigan
Schedule of General Fixed Assets -
By Function and Activity
May 31, 2004

	<u>Total</u>	<u>Land and Buildings</u>	<u>Vehicles</u>	<u>Equipment</u>
General government:				
City hall	\$ 2,333,677	\$ 2,033,206	\$ -	\$ 300,471
City property	3,194,450	3,139,488	5,277	49,685
Total general government	<u>5,528,127</u>	<u>5,172,694</u>	<u>5,277</u>	<u>350,156</u>
 Public safety:				
Police department	412,555	-	217,441	195,114
Fire department	635,756	635,756	-	-
Total public safety	<u>1,048,311</u>	<u>635,756</u>	<u>217,441</u>	<u>195,114</u>
 Public works	<u>534,487</u>	<u>180,515</u>	<u>142,241</u>	<u>211,731</u>
 Total general fixed assets allocated to functions	<u>\$ 7,110,925</u>	<u>\$ 5,988,965</u>	<u>\$ 364,959</u>	<u>\$ 757,001</u>

City of Grand Blanc, Michigan
Schedule of Changes in General Fixed Assets -
By Function and Activity
Year Ended May 31, 2004

	General Fixed Assets June 1, 2003	Additions	Deductions	General Fixed Assets May 31, 2004
General government:				
City hall	\$ 2,331,652	\$ 2,025	\$ -	\$ 2,333,677
City property	2,334,221	860,229	-	3,194,450
Total general government	4,665,873	862,254	-	5,528,127
Public safety:				
Police department	407,325	5,230	-	412,555
Fire department	635,756	-	-	635,756
Total public safety	1,043,081	5,230	-	1,048,311
Public works	534,487	-	-	534,487
Total general fixed assets allocated to functions	\$ 6,243,441	\$ 867,484	\$ - 0 -	\$ 7,110,925

General Long-Term Debt Account Group

To account for long-term liabilities expected to be financed
from governmental funds.

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
1993 Transportation Bonds
May 31, 2004

Fiscal Year Ended <u>May 31</u>	<u>Interest August 1</u>	<u>Interest February 1</u>	<u>Principal January 1</u>	<u>Total Requirements</u>
2005	\$ 5,341	\$ 4,628	\$ 30,000	\$ 39,969
2006	4,628	3,897	30,000	38,525
2007	3,897	3,022	35,000	41,919
2008	3,022	2,125	35,000	40,147
2009	2,125	1,075	40,000	43,200
2010	1,075	-	40,000	41,075
	<u>\$ 20,088</u>	<u>\$ 14,747</u>	<u>\$210,000</u>	<u>\$244,835</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
1995 Building Authority Bonds
May 31, 2004

Fiscal Year Ended <u>May 31</u>	Interest <u>October 1</u>	Interest <u>April 1</u>	Principal <u>October 1</u>	Total <u>Requirements</u>
2005	\$ 4,337	\$ 2,500	\$ 75,000	\$ 81,837
2006	2,500	-	100,000	102,500
	<u>\$ 6,837</u>	<u>\$ 2,500</u>	<u>\$175,000</u>	<u>\$184,337</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
1999 Building Authority Bonds
May 31, 2004

Fiscal Year Ended <u>May 31</u>	<u>Interest October 1</u>	<u>Interest April 1</u>	<u>Principal October 1</u>	<u>Total Requirements</u>
2005	\$ 1,115	\$ 675	\$ 20,000	\$ 21,790
2006	675	-	30,000	30,675
	<u>\$ 1,790</u>	<u>\$ 675</u>	<u>\$ 50,000</u>	<u>\$ 52,465</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
Installment Loan – 2001 Land Contract
May 31, 2004

Fiscal Year Ended <u>May 31</u>	Interest <u>October 1</u>	Interest <u>April 1</u>	Principal <u>April 1</u>	Total <u>Requirements</u>
2005	\$ 4,200	\$ 4,200	\$ 25,000	\$ 33,400
2006	3,544	3,544	25,000	32,088
2007	2,887	2,887	25,000	30,774
2008	2,231	2,231	25,000	29,462
2009	1,575	1,575	30,000	33,150
2010	788	788	30,000	31,576
	<u>\$ 15,225</u>	<u>\$ 15,225</u>	<u>\$160,000</u>	<u>\$190,450</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
2001 Michigan Transportation Fund Bonds
May 31, 2004

Fiscal Year Ended May 31	Interest August 1	Interest February 1	Principal August 1	Total Requirements
2005	\$ 28,437	\$ 27,562	\$ 50,000	\$ 105,999
2006	27,563	26,686	50,000	104,249
2007	26,688	25,327	75,000	127,015
2008	25,328	23,921	75,000	124,249
2009	23,922	22,468	75,000	121,390
2010	22,469	20,468	100,000	142,937
2011	20,469	18,406	100,000	138,875
2012	18,406	15,828	125,000	159,234
2013	15,828	13,250	125,000	154,078
2014	13,250	10,625	125,000	148,875
2015	10,625	7,438	150,000	168,063
2016	7,437	3,719	175,000	186,156
2017	3,719	-	175,000	178,719
	<u>\$244,141</u>	<u>\$215,698</u>	<u>\$1,400,000</u>	<u>\$1,859,839</u>

Statistical Section

Table 1

**City of Grand Blanc, Michigan
General Governmental Expenditures by Function (1) - Unaudited
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Service</u>	<u>Public Works</u>	<u>Highways and Streets</u>
1995	\$1,157,667 ⁽²⁾	\$1,193,119	\$593,543	\$195,574	\$1,574,264
1996	838,759	1,247,022	690,714	187,369	521,800
1997	677,391	1,300,588	727,082	208,465	452,637
1998	1,068,778	1,462,342	795,497	238,781	320,313
1999	995,748	1,498,343	659,895	221,143	506,263
2000	950,955	1,673,303	716,416	206,216	515,882
2001	1,501,415	1,755,397	736,055	226,281	731,521
2002	925,226	1,775,777	897,106	229,563	532,700
2003	1,234,598	1,994,499	813,996	204,146	1,996,110
2004	1,488,323	1,998,328	818,905	222,474	1,142,591

NOTES:

- (1) Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds.
- (2) The City incurred significant loss related to the removal of a fuel tank and the surrounding contaminated soil.
- (3) The City purchased land using Special Revenue Funds.
- (4) The City made an early redemption of certain outstanding bonded debt.

<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$412,050	\$5,126,217
-	587,316	4,072,980
185,000 ⁽³⁾	466,404	4,017,567
57,189 ⁽³⁾	526,167	4,469,067
-	384,378	4,265,770
124,400	399,379	4,586,551
-	396,310	5,346,979
-	1,134,277 ⁽⁴⁾	5,494,649
-	732,302 ⁽⁴⁾	6,975,651
-	338,888	6,009,509

City of Grand Blanc, Michigan
General Governmental Revenues by Source (1) - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>
1995	\$2,061,945	\$ 80,859	\$1,831,770 ⁽²⁾	\$311,921
1996	2,080,587	100,260	1,097,753	327,939
1997	2,197,819	89,176	1,579,272	348,668
1998	2,379,090	128,075	1,261,723	354,956
1999	2,512,526	86,097	1,850,510	356,687
2000	2,595,123	92,120	1,617,122	369,341
2001	2,661,931	98,188	1,455,160	370,296
2002	2,788,548	124,124	1,414,225	395,588
2003	2,921,012	99,301	2,602,101 ⁽²⁾	419,007
2004	2,757,268	137,537	2,736,795 ⁽²⁾⁽³⁾	419,811

NOTE:

- (1) Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds.
- (2) Significant revenues from federal road projects were received during 1995, 2003, and 2004.
- (3) Significant revenues from federal funds in general fund were received during 2004.

<u>Fines and Forfeits</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 39,710	\$107,417	\$ 13,909	\$4,447,531
40,497	90,527	62,649	3,800,212
36,038	122,939	21,668	4,395,580
30,190	109,456	20,382	4,283,872
32,710	66,540	41,631	4,946,701
40,658	236,027	30,749	4,981,140
30,142	168,697	42,106	4,826,520
29,431	130,455	39,734	4,922,105
33,976	66,202	31,950	6,173,549
30,464	31,701	110,869	6,224,445

Table 3

City of Grand Blanc, Michigan
Property Tax Levies and Collections - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1995	\$2,049,613	\$2,002,864	97.7%	\$ 46,749
1996	2,072,094	2,021,401	97.6	50,693
1997	2,220,846	2,132,065	96.0	88,781
1998	2,361,595	2,303,890	97.6	57,705
1999	2,510,841	2,458,996	97.9	42,373
2000	2,643,386	2,587,875	97.9	51,754
2001	2,777,141	2,692,938	97.0	77,518
2002	2,906,846	2,799,275	96.3	81,113
2003	3,061,639	2,940,292	96.0	57,308
2004	3,145,269	3,007,880	98.0	69,573

NOTE:

- (1) Real Property Taxes that become delinquent are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, percent of collections for Real Property Taxes is 100 percent.

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u> ⁽¹⁾	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$2,049,613	100.0%	\$ -	0.0%
2,072,094	99.9	1,827	0.1
2,220,846	100.0	679	0.0
2,361,595	99.9	1,957	0.1
2,501,369	99.8	4,234	0.2
2,639,629	99.9	3,757	0.1
2,770,456	99.8	6,685	0.2
2,880,388	99.1	26,458	0.9
2,997,600	97.9	64,039	2.1
3,077,453	98.0	67,816	2.2

Table 4

City of Grand Blanc, Michigan
Assessed and State Equalized Value of Taxable Property - Unaudited
Last Ten Fiscal Years

Fiscal Year	<u>Real/Qualified Property ⁽³⁾</u>		Ratio of Total State Equalized Value to Assessed Value	<u>Personal Property</u>	
	Assessed Value ⁽¹⁾	State Equalized/ Taxable Value ⁽¹⁾		Assessed Value	State Equalized/ Taxable Value
1995	\$157,319,980	\$157,319,980	1.00%	\$ 7,521,200	\$ 7,521,200
1996	164,217,182	163,179,220 ⁽²⁾	0.99	7,383,030	7,446,380 ⁽²⁾
1997	177,892,489	173,996,762	0.98	8,787,700	8,788,800
1998	194,922,630	184,489,470	0.95	10,336,750	9,880,375
1999	208,815,920	195,707,822	0.94	10,598,020	10,598,020
2000	219,041,400	204,000,030	0.93	11,736,800	11,736,800
2001	226,603,320	210,641,840	0.93	10,414,607	10,414,607
2002	232,949,190	219,991,180	0.94	11,199,930	11,199,930
2003	258,012,690	230,276,954	0.89	11,300,940	11,300,940
2004	273,251,505	239,146,915	0.88	11,554,880	11,549,190

NOTE:

- (1) Assessed values are established annually by the county and equalized by the state. Assessed values represent 50% of market value as determined by the Michigan State Tax Commission on the fourth Monday in May of each year.
- (2) Beginning with fiscal year ended May 31, 1996, taxable value replaced state equalized value.
- (3) Beginning with fiscal year ended May 31, 2004, the City levied qualified real property.

Ratio of Total State Equalized Value to Assessed Value	Total		Total State Equalized Value to Assessed Value
	Assessed Value	State Equalized/ Taxable Value	
1.00%	\$164,841,180	\$164,841,180	1.00%
1.01	171,600,212	170,625,600 ⁽²⁾	0.99
1.00	186,680,189	182,785,562	0.98
0.95	205,259,380	194,369,845	0.95
1.00	219,413,940	206,305,842	0.94
1.00	230,778,200	215,736,830	0.93
1.00	237,017,927	221,056,447	0.93
1.00	244,149,120	231,191,110	0.95
1.00	269,313,630	241,577,894	0.90
1.00	284,806,385	250,696,105	0.88

Table 5

City of Grand Blanc, Michigan
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of State Equalized Valuation) - Unaudited
Last Ten Fiscal Years

<u>Municipality</u>	<u>Type of Levy</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
City of Grand Blanc -	Operating	\$ 9.95	\$ 9.95	\$ 9.95
	Streets	1.00	1.00	1.00
	Water improvements	1.20	1.30	1.20
Grand Blanc Parks and Recreation		0.98520	0.9936	0.9936
State of Michigan	State education tax	5.00	6.00	6.00
Genesee County -	Operating	5.5228	5.5512	5.5735
	Parks	0.48610	0.4886	0.4906
	Library	0.76030	0.7681	0.7738
	Paramedic	0.48610	0.4886	0.4906
	Airport	0.48610	0.4886	0.4906
	MTA	0.39590	0.3980	0.3996
Grand Blanc School District - #25-030	Operating	17.63440	17.7480	18.00
	Debt	1.80	1.80	1.80
	Building and site	0.97790	0.9872	0.9923
Genesee Intermediate School District -	Operating	3.5469	3.5672	3.5835
Community College -	Operating	1.99660	2.0080	2.0172
	Debt	0.75	0.82	0.85
Totals		<u>\$52.9783</u>	<u>\$54.3571</u>	<u>\$54.6053</u>

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95
1.00	1.00	1.00	1.00	1.00	1.00	1.00
1.20	1.20	1.20	1.20	1.20	1.20	1.50
0.9936	1.00	1.00	1.00	1.00	0.00	0.00
6.00	6.00	6.00	6.00	6.00	6.00	6.00
5.5780	5.5948	5.5948	5.5948	5.5948	5.5948	5.5948
0.4910	0.4925	0.4925	0.4925	0.4925	0.4925	0.4925
0.7773	0.7895	0.7895	0.7895	0.6895	0.6895	0.6895
0.4910	0.4925	0.4925	0.4925	0.4925	0.4925	0.4925
0.4910	0.4925	0.4925	0.4925	0.4925	0.4925	0.4925
0.3988	0.4000	0.4000	0.4000	0.4000	0.0000	0.0000
17.8311	18.00	18.00	18.00	18.00	18.00	18.00
1.80	0.00	0.00	0.00	0.25	0.25	1.00
1.00	1.00	1.00	1.00	1.00	1.00	0.00
3.5894	3.6032	3.6032	3.6032	3.6032	3.6032	3.6034
1.3694	1.3745	1.3745	1.3745	1.3745	1.3745	1.3746
0.50	0.50	0.50	0.50	0.50	0.50	0.50
<u>\$53.4606</u>	<u>\$51.8895</u>	<u>\$51.8895</u>	<u>\$51.8895</u>	<u>\$52.0395</u>	<u>\$50.6395</u>	<u>\$50.6898</u>

Table 6

City of Grand Blanc, Michigan
Ratio of Net General Bonded Debt
To State Equalized Value and Net Bonded Debt Per Capita - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>State Equalized Valuation (in Thousands)</u>	<u>Gross Bonded Debt⁽²⁾ (in Thousands)</u>	<u>Debt Service Monies Available (in Thousands)</u>	<u>Debt Payable From Enterprise Revenue</u>	<u>Net Bonded Debt (in Thousands)</u>	<u>Ratio of Net Bonded Debt to State Equalized Value</u>	<u>Net Debt Per Capita</u>
1995	7,760 ⁽¹⁾	\$164,841	\$ 3,856	\$ 261	\$ 711	\$ 2,884	1.75%	\$ 372
1996	7,760 ⁽¹⁾	170,626	4,034	592	624	2,818	1.65	363
1997	7,760 ⁽¹⁾	182,786	3,632	630	526	2,476	1.35	319
1998	7,760 ⁽¹⁾	194,370	3,177	674	429	2,074	1.07	267
1999	7,760 ⁽¹⁾	206,306	2,811	698	345	1,768	0.86	228
2000	7,760 ⁽¹⁾	230,778	2,589	776	257	1,556	0.67	201
2001	7,760 ⁽¹⁾	237,129	2,433	827	169	1,437	0.61	185
2002	8,242 ⁽³⁾	244,149	3,084	189	80	2,815	1.15	341
2003	8,242 ⁽³⁾	269,313	2,605	64	209	2,332	0.87	283
2004	8,242 ⁽³⁾	284,806	6,015	64	3,994	1,957	0.69	237

Source:

- (1) 1990 U.S. Census.
- (2) Includes all general obligation notes and bonds.
- (3) 2000 U.S. Census.

Table 7

**City of Grand Blanc, Michigan
Computation of Legal Debt Margin - Unaudited
May 31, 2004**

Total assessed value	<u>\$284,806,385</u>
Debt limit - 10 percent of total assessed value	\$ 28,480,639
Amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 28,480,639</u>

Table 8

City of Grand Blanc, Michigan
Computation of Direct and Overlapping Debt - Unaudited
May 31, 2004

<u>Date of Financial Information</u>	<u>Jurisdiction</u>	<u>Amount Applicable to Net Debt Outstanding</u>	<u>Percentage Applicable to City of Grand Blanc</u>	<u>Total Overlapping Debt Applicable to City of Grand Blanc</u>
Direct:				
5-31-04	City of Grand Blanc	<u>\$ 6,015,351</u>	100.00%	<u>\$ 6,015,351</u>
Overlapping:				
6-30-03	Mott Community College	60,378,934	2.80	1,690,610
9-30-03	Genesee County	124,870,930	2.61	3,259,131
6-30-03	Grand Blanc School District	<u>19,961,829</u>	23.81	<u>4,752,911</u>
	Total overlapping	<u>205,211,693</u>		<u>9,702,652</u>
	Totals	<u>\$211,227,044</u>		<u>\$15,718,003</u>

Table 9

City of Grand Blanc, Michigan
Ratio of Annual Debt Service Expenditures For
General Bonded Debt to Total General Expenditures - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u> ⁽¹⁾	<u>Total General Expenditures</u> ⁽²⁾	<u>Ratio of Debt Service to Total General Expenditures</u>
1995	\$ 221,775	\$190,275	\$ 412,050	\$5,126,217	8.0%
1996	402,029	185,287	587,316	4,072,980	14.4
1997	283,228	183,176	466,404	4,017,567	11.6
1998	364,095	162,072	526,167	4,469,067	11.8
1999	245,044	139,334	384,378	4,265,770	9.0
2000	275,000	124,379	399,379	4,586,551	9.0
2001	285,000	111,310	396,310	5,346,979	7.4
2002	1,005,000	129,277	1,134,277	5,494,649	20.6
2003	608,333	123,968	732,301	6,975,650	10.5
2004	244,243	94,645	338,888	6,009,509	5.6

NOTES:

- (1) Does not include general bonded debt issued for water and sewer utility purposes, which is paid from Water and Sewer Fund revenues.
- (2) Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds.

**City of Grand Blanc, Michigan
Demographic Statistics - Unaudited
Last Ten Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u> ⁽²⁾	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>Enrollment</u> ⁽³⁾	<u>Unemployment Rate</u> ⁽⁴⁾
1995	7,760 ⁽¹⁾	\$ 19,382	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,731	7.0%
1996	7,760 ⁽¹⁾	19,963	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,898	6.0
1997	7,760 ⁽¹⁾	20,402	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,891	5.9
1998	7,760 ⁽¹⁾	20,749	32.7 ⁽¹⁾	12.2 ⁽¹⁾	N/A	5.4
1999	7,760 ⁽¹⁾	21,371	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,921	5.4
2000	7,760 ⁽¹⁾	22,012	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,989	5.2
2001	7,760 ⁽¹⁾	22,672	32.7 ⁽¹⁾	12.2 ⁽¹⁾	6,382	7.1
2002	8,242 ⁽⁶⁾	23,352	32.7 ⁽¹⁾	12.2 ⁽¹⁾	6,431	8.7
2003	8,242 ⁽⁶⁾	22,168 ⁽⁵⁾	32.7 ⁽¹⁾	12.2 ⁽¹⁾	7,643	6.7
2004	8,242 ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A

Sources:

- (1) 1990 U.S. Census
- (2) Federal Revenue Sharing Entitlement figures and estimates based on a 2.8% growth for 1995; 3.0% growth for 1996; 2.2% growth for 1997; 1.7% growth for 1998; 3.0% growth for 1999; 3.0% growth for 2000 and 2003
- (3) Superintendent of Schools enrollment count
- (4) Michigan Employment Security Commission, Genesee County
- (5) 2000 U.S. Census
- N/A Not Available

Table 11

City of Grand Blanc, Michigan
Property Value, Construction, and Bank Deposits - Unaudited
Last Ten Fiscal Years

Assessment Date <u>December 31</u>	<u>Commercial/Industrial Construction</u>		<u>Residential Construction</u>		Bank Deposits ⁽¹⁾ (in Thousands)
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
1995	6	\$1,311,275	68	\$7,357,801	\$3,150,563
1996	1	161,708	55	6,380,247	3,229,104
1997	18	3,237,063	161	3,938,843	3,352,526
1998	33	2,440,259	143	3,104,461	3,365,584
1999	23	2,166,649	184	2,855,938	3,402,491
2000	32	2,524,270	150	3,262,688	3,643,612
2001	16	1,495,313	89	2,369,055	3,634,128
2002	16	1,787,390	49	2,210,528	3,522,542
2003	49	5,378,441 ⁽⁵⁾	43	2,121,232	3,710,109
2004	(2)	(2)	(2)	(2)	(2)

NOTES:

- (1) Amounts reported are for Genesee County, as provided by the Federal Deposit Insurance Corporation
- (2) This information will not be available until December 31, 2004
- (3) Estimated actual or market value which is approximately two times the assessed value
- (4) Significant reductions occurred as a result of adjustments to the values of property for General Motors, Consumers Energy, and the Grand Blanc Golf and Country Club
- (5) Amount includes two permits totaling \$3,648,000 for water softening project

Property Value ⁽³⁾

<u>Commercial</u>	<u>Residential</u>	<u>Industrial and Utility</u>
\$ 69,356,000	\$232,581,960	\$12,702,000
70,500,404	245,231,640	12,705,520
75,336,680	266,159,960	11,549,860
79,038,540	330,525,446	8,080,920 ⁽⁴⁾
86,001,660	344,114,560	7,966,580
86,001,660	344,114,560	7,966,580
108,302,980	364,627,060	15,368,200
119,153,520	409,867,060	9,606,680
106,598,880	430,117,900	9,739,300
(2)	(2)	(2)

Table 12

**City of Grand Blanc, Michigan
Principal Taxpayers - Unaudited
May 31, 2004**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>
Perry Place Apartments, LLC	Apartment Complex	\$ 4,718,430	1.82%
Bridgewood Common Shopping Center	Retail Office Complex	4,295,870	1.66
Integrated Health Services	Nursing Home	3,977,870	1.54
General Motors Corporation	Auto Industry	3,863,390	1.49
CMS Country House Investors	Apartment Complex	3,691,950	1.43
Grand Blanc Center LLC	Retail Complex	1,990,490	0.77
Consumers Energy	Utility Supplier	1,850,020	0.71
Grand Blanc Golf & Country Club	Golf Course	1,806,650	0.70
York Properties	Apartment Complex	1,728,070	0.67
Grand Bend Club Apartments	Apartment Complex	1,725,140	0.67
		<u>\$29,647,880</u>	<u>11.46%</u>

City of Grand Blanc, Michigan
Miscellaneous Statistics - Unaudited
May 31, 2004

FORM OF GOVERNMENT	Strong Mayor - Council
--------------------	------------------------

FIRE PROTECTION:

Number of stations	3
Number of firemen and officers	60

POLICE PROTECTION:

Number of stations	1
Number of policemen and officers	15

**EDUCATION (SOURCE - SUPERINTENDENT OF SCHOOLS -
PUBLIC SCHOOLS ONLY):**

Attendance centers	10
Number of classrooms	307
Number of teachers	400
Number of students	7,643

RECREATION AND CULTURE:

Number of parks	4
Number of libraries	1
Number of volumes	83,000

EMPLOYEES (FULL-TIME):

Classified service	34
--------------------	----

MUNICIPAL WATER DEPARTMENT:

Number of consumers	2,506
Average daily consumption	1,654,000
Miles of water mains	48

SEWERS:

Sanitary sewers miles	48
Storm sewers miles (maintained by City)	48

AREA:

Miles of Streets:

City major streets	7.21
City local streets	23.29

Number of street lights	191
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City of Grand Blanc, Michigan

**Additional Reports Required By
OMB Circular A-133**

Year Ended May 31, 2004

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**Auditors' Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of
the City Council City of Grand Blanc
Grand Blanc, Michigan

We have audited the general purpose financial statements of the City of Grand Blanc as of and for the year ended May 31, 2004, and have issued our report thereon dated July 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Grand Blanc's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Grand Blanc's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City of Grand Blanc and federal awarding agencies, and pass-through entities, and is not intended for and should not be used by anyone other than those specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

July 16, 2004

**Auditors' Report on Compliance with Requirements
Applicable to each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

Honorable Mayor and Members of
the City Council City of Grand Blanc
Grand Blanc, Michigan

Compliance

We have audited the compliance of the Grand Blanc with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended May 31, 2004. The City of Grand Blanc's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Grand Blanc's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grand Blanc's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Grand Blanc's compliance with those requirements.

In our opinion, the City of Grand Blanc complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended May 31, 2004.

Internal Control over Compliance

The management of the City of Grand Blanc is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grand Blanc's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City of Grand Blanc as of and for the year ended May 31, 2004, and have issued our report thereon dated July 16, 2004. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the City of Grand Blanc, federal awarding agencies and pass-through entities, and is not intended for and should not be used by anyone other than these specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

July 16, 2004

City of Grand Blanc, Michigan
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2004

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance I.D. Number	Federal CFDA Number	Approved Grant Award
Department of Housing and Urban Development -			
Pass Through Genesee County			
Community Development Block Grant - 2004	N/A	14.218	\$ 22,249
Department of Justice -			
Direct Programs:			
COPS in School	2001SWX0594		125,000
Indirect Programs:			
Passed Through State of Michigan			
Department of Community Health			
Byrne Memorial Formula Grant	N/A	16.579	31,701
Byrne Memorial Formula Grant	N/A	16.579	37,123
Total Department of Justice			68,824
Total Department of Justice			193,824
Environmental Protection Agency -			
Pass Through State of Michigan			
Drinking Water Revolving Fund *	N/A	66.468	3,600,000
Drinking Water Revolving Fund *	N/A	66.468	800,000
Total Environmental Protection Agency			4,400,000
Department of Homeland Security -			
Pass through State of Michigan Department of State Police			
Hazard Mitigation Grant Program * (2)(3)	N/A	97.039	668,438
Hazard Mitigation Grant Program * (2)(3)	N/A	97.039	195,000
Hazard Mitigation Grant Program * (2)(3)	N/A	97.039	1,275,000
Total Federal Emergency Management Agency			2,138,438
Department of Transportation -			
Indirect Programs:			
Passed through State of Michigan:			
Highway Planning and Construction		20.205	633,446
Highway Planning and Construction		20.205	806,964
Highway Planning and Construction		20.205	44,162
Total Highway Planning and Construction			1,484,572
Total Federal Financial Assistance			\$ 8,239,083

<u>Accrued (Deferred) Revenue at May 31, 2003</u>	<u>Current Year Federal Expenditures (1)</u>	<u>Federal Receipts or Revenue Recognized</u>	<u>Accrued (Deferred) Revenue at May 31, 2004</u>
\$ -	\$ 22,851	\$ 18,401	\$ 4,450
-	51,650	51,650	-
-	18,549	18,549	-
-	26,562	19,508	7,054
-	45,111	38,057	7,054
-	96,761	89,707	7,054
110,203	2,371,997	2,482,200	-
6,199	265,907	171,556	100,550
116,402	2,637,904	2,653,756	100,550
-	235,070	26,060	209,010
-	10,441	-	10,441
-	643,620	490,760	152,860
-	889,131	516,820	372,311
-	146,210	146,210	-
-	77,100	77,100	-
-	24,026	24,026	-
-	247,336	247,336	-
\$ 116,402	\$ 3,893,983	\$ 3,526,020	\$ 484,365

City of Grand Blanc, Michigan
Schedule of Expenditures of Federal Awards - (Continued)
Year Ended May 31, 2004

* denotes major program.

- (1) Expenditures reported on the modified accrual basis of accounting.
- (2) Local Match for the grant is \$296,375.
- (3) Local Match for the grant is 25%.
- (4) Reconciliation of federal revenues per Comprehensive Annual Financial Report compared to federal expenditures per the Schedule of Expenditures of Federal Awards:

Federal expenditures per SEFA page		<u>\$ 3,893,983</u>
Federal revenues - CAFR statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Funds Page		1,256,079
Additions to fixed assets in Water Fund	3,825,823	
Federal percentage of additions	68.95%	<u>2,637,904</u>
		<u>\$ 3,893,983</u>

**City of Grand Blanc
Schedule of Findings and Questioned Costs
Year Ended May 31, 2004**

Part I

1. Did the auditee expend more than \$25,000,000 in federal awards during the fiscal year? Yes X No
2. If answer to question 1 was yes, indicate which federal agency provided the predominant amount of direct funding. _____

Part II – Financial Statements

Type of auditor's report issued: Unqualified

Going concern explanatory paragraph included Yes X No

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified

Not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Findings related to the financial statements reported in accordance with *Governmental Auditing Standards*: None

Part III – Federal Programs

Type of auditor's report issued on compliance for major programs: Unqualified

Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? Yes X No

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee Yes X No

(continued)

City of Grand Blanc
Schedule of Findings and Questioned Costs - (continued)
Year Ended May 31, 2004

Part III – Federal Programs – (continued)

Is a reportable condition disclosed for any major program? Yes X No

Is any reportable condition reported as a material weakness? Yes X No

Are any known questioned costs reported? Yes X No

Was a Summary Schedule of Prior Audits Findings Prepared? X Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water Revolving Fund
97.039	Hazard Mitigation Grant Program

Findings and questioned costs relating to federal awards:

None

**City of Grand Blanc
Schedule of Prior Audit Findings
Year Ended May 31, 2004**

There were no prior audit findings.

November 16, 2004

To the Honorable Mayor and Members
Of the City Council
City of Grand Blanc, Michigan

We have performed the audit of the general purpose financial statements of City of Grand Blanc for the year ended May 31, 2004, and have issued our report thereon dated July 16, 2004.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 26, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies used by the City as described in Note 1 to the general purpose financial statements. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgement, may not have been detected except through our auditing procedures. We recorded several audit adjustments to correct and adjust the accounting records of the City. The general purpose financial statements reflect these adjustments. We proposed no other audit adjustments that were not posted to the accounting records that could, in our judgement, either individually or in the aggregate, have a significant effect on the City's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the course of performing our audit.

Comments and Recommendations

1. GASB 34

The Governmental Accounting Standards Board has revised the format for governmental financial statements. All governmental units will implement these changes over the next few years. The City will need to implement GASB 34 by the year ended May 31, 2005.

We would suggest the City consider the following items to start the implementation process for GASB 34:

1. The City needs to review its fixed asset capitalization policy to ensure agreement with the upcoming changes, and determine the lives that fixed assets will be depreciated over.
2. The City needs to set up a depreciation schedule by individual fixed asset by department in preparation of expensing depreciation on an annual basis.
3. The City should obtain a copy of the "Blue Book" including the GASB 34 implementation guide as well copies of the State of Michigan's new chart of accounts and other accounting regulations issued by the State to assist in the implementation of GASB 34. The State materials can be obtained on the Michigan Department of Treasury website.
4. The City will need to identify any infrastructure it has purchased and the date it was purchased. The infrastructure will also need to be added to the depreciation schedule and depreciated over its useful life. This infrastructure will include an estimate of the capitalized value of the road systems that the City has responsibility to maintain.

2. Impact of New GASB Regarding Retiree Health Care Liabilities

The Governmental Accounting Standards Board issued a new pronouncement, GASB Statement No. 45, *"Accounting and Financial Reporting by Employees for Post-employment Benefits Other than Pensions"* that will require governmental entities to reflect the estimated liability for retiree health care costs (that is not funded through a pension trust) on the balance sheet of the governmental unit. The liability is required to be actuarially calculated and to cover the estimated cost of the benefit over a period approximating the employees' years of service. Currently, the City pays for a portion or all of retiree health care premiums for various retirees. Generally, this liability is paid for on a pay-as-you-go basis and the new pronouncement will require the estimated future costs to be accrued currently. The

Honorable Mayor and Members
of the City Council
City of Grand Blanc
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pronouncement is effective for the City for fiscal years beginning after December 15, 2006. While the implementation is a few years away we want to make the management and the Council aware of this accounting standard so that preparations can be made to implement the standard and to prepare for its impact, if any.

We would like to commend the City Clerk and the staff for the cooperation and courtesy received in preparation for this year's audit.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. If you have any question regarding the contents of this letter, please contact us.

Sincerely,

A handwritten signature in cursive script that reads "BKR Dupuis & Ryden".

Certified Public Accountants
Flint Office